

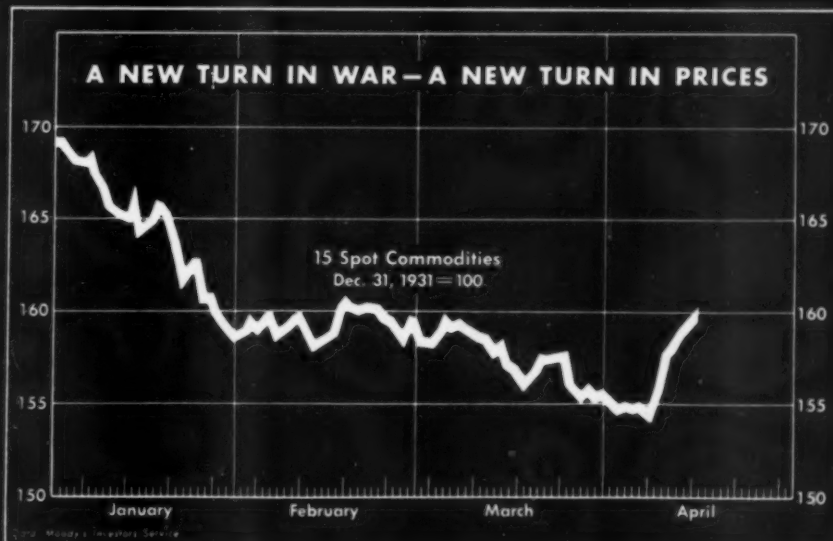
DATE: APR. 22 1948

# BUSINESS WEEK

APR 22 1948

WEEK  
AGO

YEAR  
AGO



Business cue: Watch commodity price lines as well as war headlines (page 13).



## You and your Warner & Swasey are manufacturing the American Standard of Living . . . . .

### A MESSAGE TO THE MAN WHO OPERATES A TURRET LATHE

**YOU** and I and everyone get paid out of what we produce. There *is* no other place for income to come from, is there?

Our grandfathers earned about \$1 for a 12-hour day. They couldn't produce enough with crude tools to contribute more than that to the world's goods.

The European workman is in that fix today. With tools inferior to yours, he has to work up to 12 hours for less than the equal of 1 American dollar.

The reason lies in what happens to the fruits of production. Taxes take a big slice; the plant in which we work has to have heat, light, supervision, repairs; a small wage must be paid for the money which provides us with a place to work. The rest—*all* the rest—goes to the workman and the material he uses.

So the more you produce (and the less material wasted in producing it) the more there will be available for

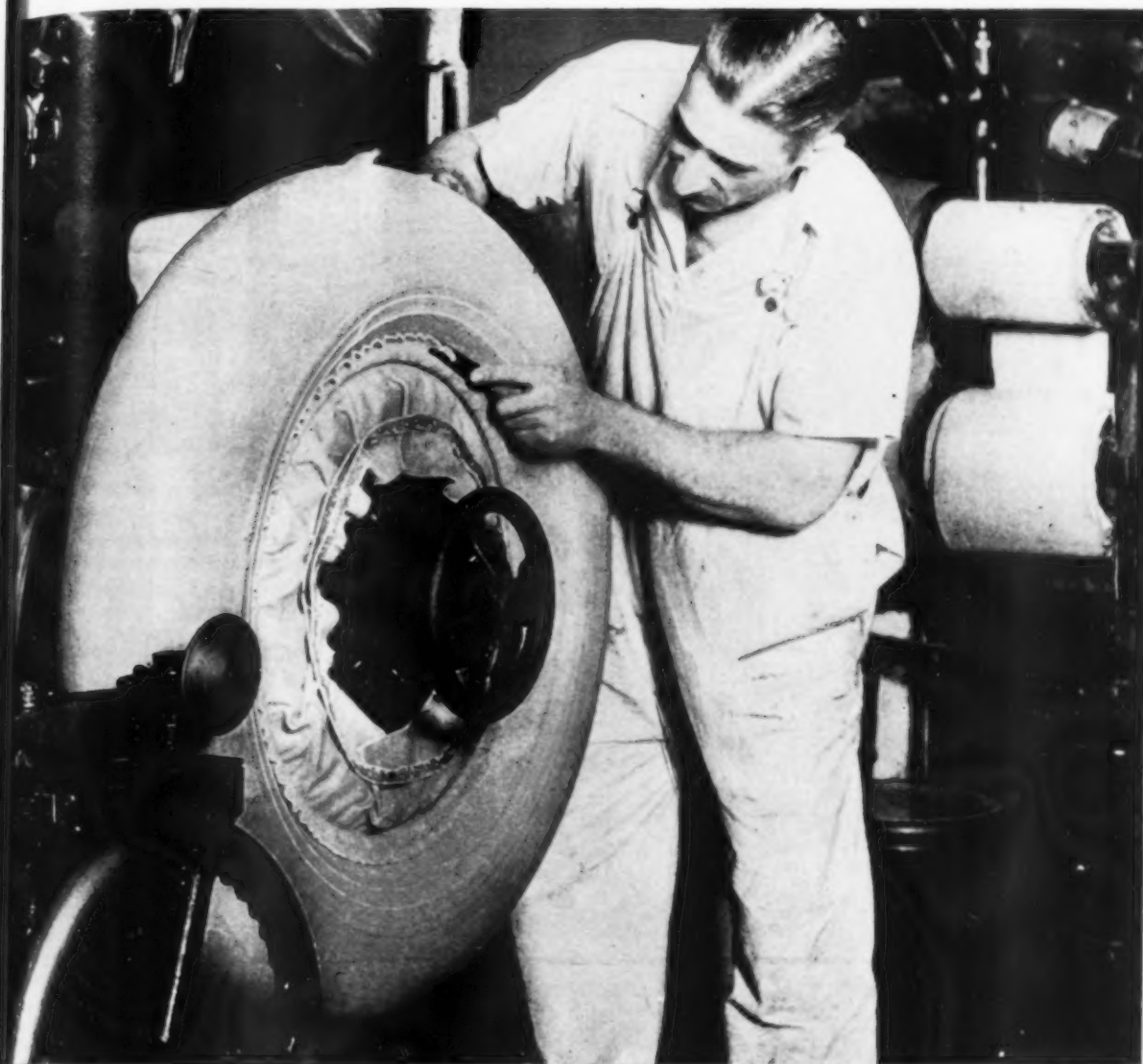
you. You earn many times as much, you have comforts and conveniences that a European workman never dreams of—all because you produce more of the world's goods at a lower cost per piece, and so help spread the benefit of more goods to more people at lower prices.

That's the reason for the American standard of living, and Warner & Swasey is proud to work with you in producing it—with turret lathes that are more powerful (to help you improve production), more accurate (to help you reduce scrap loss), and easier to use (to help you get through your day with less fatigue, and so be able to enjoy the leisure your American standard of living makes possible).



**YOU CAN TURN IT BETTER, FASTER, FOR LESS . . . WITH A WARNER & SWASEY**

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A typical  
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that may ca  
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stretch-resis  
and distribu  
This new  
Plyflex, is



## The Tire that Wears a Girdle

*A typical example of Goodrich improvement in rubber*

**W**ATCH this tire maker build a truck tire. He's almost ready to apply the tread but first he puts on the girdle. This is an outer ply of a new kind of tough rubber with extraordinary resistance to stretch—developed in the Goodrich laboratories.

Pounding day and night over every kind of road and rut, truck tires are subjected to terrific stresses and strains that may cause local weaknesses—even blow-outs. Goodrich engineers designed the outer ply of specially tough, stretch-resistant rubber which absorbs and distributes the strains.

This new rubber compound, called Plyflex, is an example of Goodrich

development in truck tires. It is one of three features of Triple Protection, the Goodrich way of protecting tires against premature failure.

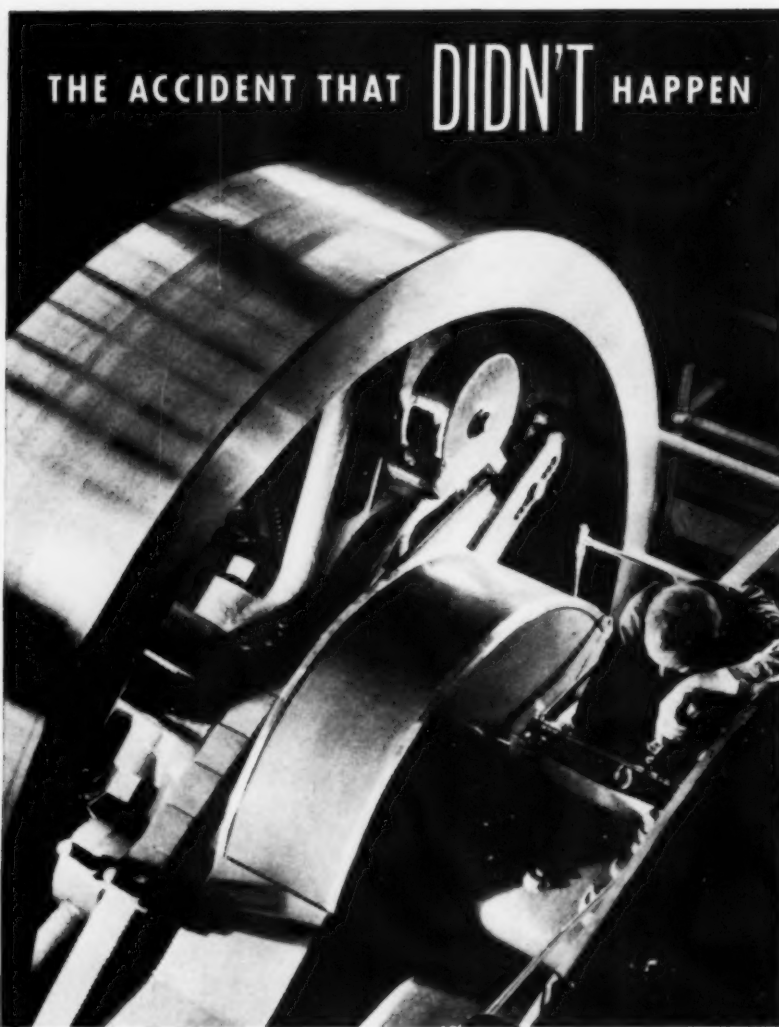
Under today's extreme loads and high speeds, truck and bus tires are apt to blow out, break through the sidewall, or otherwise fail prematurely—long before the tread is worn.

Plyflex plus Ply-Lock, a method of anchoring the beads in place, and Hi-Flex Cord, a heat-fighting stream-

lined cord, combine to provide an extra factor of safety in tire construction. They enable you to carry the peak loads—and to hit high speeds with greater protection.

Put Silvertowns in service on your toughest hauls. Watch the cost-per-mile dive downward. And then you'll want them on every wheel. Triple Protected Silvertowns cost no more than other "first-line" tires without these features. See the Goodrich man today. Remember which, the name's Goodrich. The B. F. Goodrich Company, Akron, Ohio; Los Angeles, Calif.; Kitchener, Ontario.

**Goodrich Silvertowns**  
FOR TRUCKS AND BUSES 



## THE ACCIDENT THAT DIDN'T HAPPEN

It was an engine much like this . . . clean-looking, well tended, responsive to every demand—apparently fit for many more years of efficient service.

Yet a deep-searching Hartford Steam Boiler inspection—formulated on this Company's vast experience in how and where to look for flaws, strains and weaknesses in power equipment—brought to light a growing but concealed crack extending well down into the main shaft. A timely discovery! A very probable catastrophe averted!

You seldom hear of the "accidents" that impend but which, through superior insurance-inspection, escape happening. Yet such disaster preventions have undoubtedly numbered thousands in the course of Hartford's 18,000,000 inspections of boilers, engines, turbines, pressure vessels and electric generators.

• Hartford Steam Boiler's inspections are not simply the work of the men who crawl into your boilers

or examine your power machinery. They represent the results of the scientific investigations of an organization of SPECIALISTS which has done only this type of work for 74 years.

This organization includes a full-time staff of engineers who do nothing else but study power-plant accident causes and means of prevention; analyze and interpret field inspectors' findings; help make your power-plant insurance in Hartford Steam Boiler the safest that money can buy!

Ask your agent or broker why Hartford Steam Boiler covers a preponderant portion of America's insured power equipment, and shop-inspects more than 90% of the nation's industrial power boilers.

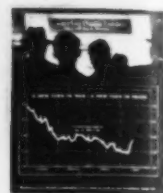
THE HARTFORD STEAM BOILER  
INSPECTION AND INSURANCE  
COMPANY HARTFORD CONNECTICUT



## THIS BUSINESS WEEK



### BUSINESS WEEK



Cushing

Students of international affairs, and other varieties of kibitzers, who were complaining that they found the peace war slow going, woke up one morning last week to find Europe involved in a real live, Class-A, active war. U.S. reaction to the revitalized war followed the pattern set last September, when the war first got under way, and crowds gathered around every news stand and bulletin board to get the latest report. But the war didn't just cause a spate of headlines; it brought on a sudden sharp turn in prices too, as the chart on the week's cover shows, and the Business Outlook, on page 13, explains.

### Steel

THE STEEL INDUSTRY has had another bargain day, and the steel industry is pretty sore about it, too. It's the story of how, when the auto industry starts to buy steel, some steel men break their necks trying to get this business they'd get anyway. There was a difference this time, though. The bargain day arrived before the auto men got around to putting on the steam—page 13.

### Transportation

BY AN ASTONISHING ASSUMPTION the general taxpayers should bear 60% of the cost of the highways, while highway users should pay only 40%. The chairman of the Interstate Commerce Commission has managed to arrive at a con-

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clusion that will astonish taxpayers. That's the way President J. J. Pelley of the Association of American Railroads sees this week's notable Eastman report on "Public Aids to Transportation." Highway users' organizations don't see it Mr. Pelley's way at all, and the battle is on. Meanwhile Owen D. Young courageously undertakes to direct another survey of our much-surveyed transportation problems. For a quick picture of the difficulties of Mr. Young's job and of the light, if any, that Mr. Eastman's report throws on it, see page 18.

### Television

THE FEDERAL COMMUNICATIONS COMMISSION gave the radio industry the shock of its life when it announced last month that it was rescinding the order it recently put through, permitting semi-commercial television broadcasting. What's been going on in the scrap between the television industry and the FCC, and how television is coming out in the hearings held in Washington before the Senate interstate Commerce Committee—page 22.

### Wages and Hours

THE WHOLESALE DISTRIBUTIVE TRADES had their day in Washington last week at the first of a series of hearings designed to persuade Wage-Hour Administrator Philip Fleming that the Wage-Hour Law's definitions and regulations are too tough. Agricultural industries are due to appear next—page 34.

### How to Take a Picture

THE GENERAL READER going through a magazine takes most of the pictures as a matter of course. We found a picture this week, though, which gives an idea of what a photographer sometimes has to go through to get even the simplest kind of a shot. This photographer wanted to get



Wide World

a motion picture record of Chief Justice Hughes taking a walk on his 78th birthday. Did he merely stand on the sidewalk and start his camera when the Justice appeared? No, sir, he propped himself on a stripped-down express wagon, equipped with balloon tires, and had a helper pull him backwards down the street. That's what makes picture-taking a profession.

# Precision ... outside and in



Certainly, dimensional accuracy! Also, for under-the-surface precision, New Departure forges both race rings and balls.

## NEW DEPARTURE THE FORGED STEEL BEARING

*Nothing Rolls Like a Ball*



Write to Main Office, New Departure, Division of General Motors, Bristol, Connecticut for engineering consultation and 150 page book, "Why Anti-Friction Bearings."



Authorized automotive and industrial replacement bearing service, wherever you see the United Motors Service sign. Authentic records. Complete stocks. Prompt delivery.

## SPORTING BLOOD?

Whether you stride a horse or swing a niblick, you will get greater enjoyment from your favorite sport in clothes that have been tailored by the House of Bell.

Drop in for a cordial welcome when you are nearby.

**James W. Bell & Co.**  
INCORPORATED  
522 FIFTH AVE., AT 44TH ST., NEW YORK  
TAILORS FOR GENTLEMEN



Only  
**Redipoint**  
HAS "AUTOMATIC  
PUSH-BACK"

Make Redipoint the bosom friend of your customers. Let this precision-writing instrument travel around in the vest pockets of your customers and prospects, carrying your firm name or trademark. Let it be a business builder for you.

**"FLIP"**  
Lead appears

**"CLICK"**  
Lead snaps back

Remembrance Advertising  
**BROWN & BIGELOW**  
SAINT PAUL, MINNESOTA

## NEW BUSINESS

### City Functions, 1940

TAXPAYERS always have plenty to say about how their money is being spent—and San Antonio and Dallas, Tex., are giving them a chance to say it. Both municipalities have set up special bureaus of information and complaint in their city halls to answer questions and complaints on city business.

The San Antonio bureau not only has a large information file on hand, but attendants direct complainants to proper departments, which try to iron out misunderstandings and then report back to the information desk.

In Dallas, attendants estimate that they answer questions at the rate of one every four minutes. When a complaint is made by telephone, letter, or in person, it is recorded in triplicate: one copy is retained by the bureau, two are sent to the department concerned. The department answers the complaint and the information bureau checks up later with a form postcard to make sure everybody's happy.

### "18 to 30" Jobs

SAN FRANCISCO executives are interested in the progress of a new co-operative organization, "18 to 30 Associates," formed by an enterprising group of 36 young people of that age-group a few weeks ago to discover (1) where jobs are; (2) how many and what kind of workers employers need; (3) what kind of training is required to fill specific jobs; and (4) to help each other obtain employment.

A research committee compiles charts of employment trends in each San Francisco industry to advise members where job opportunities are increasing or diminishing, as shown below. This information is supplemented by a committee which contacts employers regularly. Re-

sults to date: Out of the original 36 members, 22 have jobs; present membership is 50 with about 100 more waiting to join.

There are no officers and no paid workers in the group; the youngsters do everything themselves. The Chamber of Commerce supplies office space and telephone, a printing firm provides stationery, a radio station donates 15 minutes of air time weekly.

### Our Times

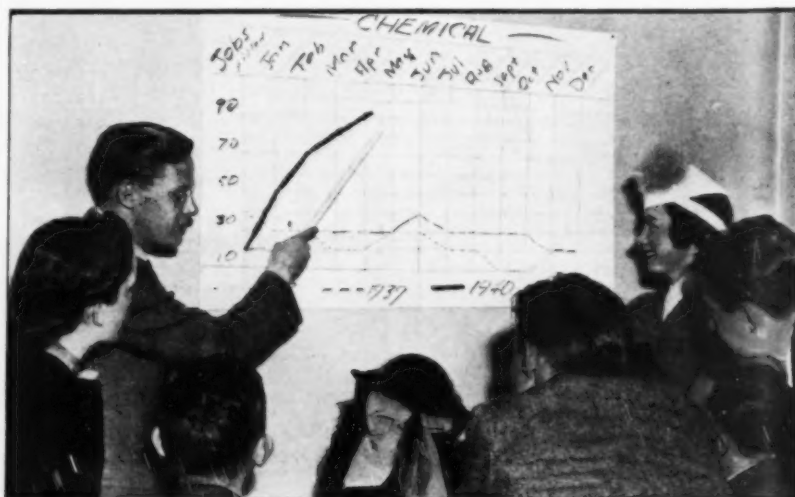
AIRLINE and airplane manufacturers' stenographers can go to school and get a thorough drilling in the lingo of their business at the Inglewood, Calif., high school. A regular night-school class, the group was formed to help inexperienced stenographers familiarize themselves with the duties of their new jobs in the expanding Southern California aviation industry.

Rockville Center, N. Y., residents can buy year-round parking privileges in municipal parking lots for a dollar. Upon payment, motorists receive a metal tag, which allows them four hours' parking time on downtown lots. Police say the plan reduces traffic congestion.

The latest slot machine: Put in a nickel, out pops a cup of orange juice. The machine is being tested in Chicago and if successful will be installed in theaters, schools, factories, and other locations with heavy traffic volume.

### Profitable Reading

BUSINESS MEN who want to know "where's what" as well as "what's what" might look into the "Geographic Basis of American Economic Life," by Harold Hull McCarty (Harper & Bros. \$3.75). It describes, section by section, the dominant economic activities in the United States, should be helpful background for sales managers and market analysts interested in regional business.



# WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—Any proposals to repeal the Johnson Act so as to permit loans to belligerents—loans which no one would expect to be repaid—would be very bad political medicine this fall. No one will be found advocating them. Republicans will vie with Democrats in beating their breasts, telling their constituents that never-never-never will they vote to bring this country closer to Europe's war.

## Discount the Politics

DON'T LET IT FOOL YOU. It will be the same baloney served up by both parties in 1916, when they alternated in denouncing each other—one week for being pro-German, the next for wanting to get us into the war on the side of the Allies. In fact the baloney will be much thinner, for, to be fair, last time most politicians on both sides did not imagine we would get into the war five months after election. This time a majority in both Senate and House know we are going to help the Allies financially if the war lasts long enough. They know it, despite the fact that both the Johnson Act and the Neutrality Law stand in the way of any such help.

## No Last-Minute Job

GIVEN TIME, both laws will be either amended or short-circuited. Nor will this drastic move wait until Britain runs out of cash. Britain doesn't want to spend all her cash in the U. S. and the folks who want to help her don't want to force this. Britain intimates privately she would like to spend some of that cash in the Balkans; and in other places where cornering supplies will help to strangle the Nazis. This has plenty of appeal to an increasing element on Capitol Hill.

## Since Yesterday

HOW CONGRESS has been swinging is best illustrated by the utter lack of outcry when the Administration announced the latest planes could be shipped to Europe. That is some change since the shock when a French government agent was hurt in the crash of a test plane in California a year ago. Congress was ready to take the War Department apart then on the contention that our new planes were taboo for foreigners.

## Including the Scandinavian

REMEMBER THE STRUGGLE to repeal the arms embargo last fall? No struggle would be needed now. It would be a pushover. There is another little element. The Scandinavian vote is very heavy in several ordinarily pacifist states—states which were bitterly anti-war in 1917. Every move in Europe has simplified

the problem soon to confront Senators and Representatives from those states.

★ Outlook: No one thinks the situation ripe yet. So it will be hush-hush until after election. Look for legislation opening the way for loans to be introduced in January, when Congress convenes—no matter who is elected in November.

## Anti-Trust Tactics

THE ANTI-TRUST DRIVE against the building trades unions is assuming a new aspect as A.F.L.'s angry defiance cools. Union bigwigs now are sitting down with Assistant Attorney-General Arnold, learning that the same terms governing future conduct are available to the unions as to business concerns:

(1) Parties against whom no antitrust action is pending can avoid criminal prosecution by making full disclosure to the Department of Justice of present or projected activities which restrain trade in a fashion they consider reasonable. If the Department finds that such activity violates the law, the party so advised will proceed at its own peril. If the Department is unable at the time to state positively that the plan is legal or illegal and the party decides to go ahead, any future action by the Department will be made through civil proceedings. This policy was pursued in the pending railroad and movie cases.

(2) Parties against whom a criminal action is pending (which includes all the union cases) may offer, either before or after indictment, a civil decree which will be accepted for submission to the court if its terms, in the Department's opinion, are an adequate remedy for conditions attacked in the criminal proceeding. Example of this policy, as applied to unions, would be a settlement by civil decree which not merely terminates a jurisdictional dispute but binds the unions to accept compulsory arbitration of any future disputes between them in pain of being held in contempt of court.

★ Not yet publicized: A new feature of Arnold's antitrust policy is his decision to tighten up in criminal cases which terminate in civil decrees. Instead of a *nolle prosequi* in such cases, Arnold will insist that defendants enter a plea of *nolo contendere* as prerequisite to entry of a civil decree.

## Reorganization Hit

FOURTH AND LAST of the President's reorganization orders is running into heavy weather but chances are that opposition will not command the necessary majority of votes in both houses to ditch it. Sen. McCarran, father of the law creating the independent Civil Aeronautics Authority in 1938, swings some influence, however, and is actively supported by the pilots' union to prevent booting of aviation back into the Commerce Department and abolition of the Air Safety Board.

★ Prospect: Congress will pointedly ignore the President's recommendation for extending the reorganization law, which expires Jan. 21 next year, and rescinding the exemption which forbade him from re-shuffling a score of important agencies.

## Food and Drug Shift

ACTIVE OPPOSITION to transfer of the Food and Drug Administration from Sec. Wallace's department to McNutt's Federal Security Agency under the new reorganization order was forestalled by preserving its identity. Shift is a favorable augury for the consumer movement, however, as Roosevelt pointed to transfer as fostering better coordination of FDA's functions with those of Public Health Service.

★ Outlook: Temporary confusion as shift occurs just when FDA is busy "breaking in" new food and drug law. Anticipating legal complications, FDA already has cancelled hearings set for April 29 on vitamin-fortified foods and May 13 on flour standards.

## Willkie Purge?

ABOUT TWO WEEKS ago Wendell L. Willkie, president of Commonwealth & Southern Corp., told a New York audience that the New Dealers were keeping a file on him and quoted one Washington official as saying "we are going to get him if it is the last thing we do." Perhaps it was mere coincidence that the Securities and Exchange Commission announced, a couple of days later, that they were investigating Georgia Power Co., a C. & S. subsidiary.

The commission didn't say what it wanted or expected to find out about Georgia Power, but any mystery which might have appeared to exist was lifted this week. Says Preston S. Arkwright, president of Georgia Power: The complainant is Lawrence Camp, unsuccessful candidate in the 1938 attempt to purge Senator George; the government is seeking information with "the methods of the OGPU and Gestapo"; this is an effort to "smear" Senator George, and neither Georgia Power nor any of its

## Engineering MAN-POWER

FROM  
COAST  
TO  
COAST



### ...It Always Pays To Call In A Standard Conveyor Engineer

Wherever your plant or plants are located — East Coast, West Coast, Middle West or deep South, there is a qualified, trained Standard Conveyor engineer near you — prepared to give service and expert counsel on conveyors and conveying methods.

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officials contributed to the Senator's campaign fund.

### Quiet Pension Drive

IN SPITE of the Administration's under-cover objection, a drive is gaining ground in the House for pensioning dependent widows (or other dependent survivors if there be no widows) of World War veterans. Realizing inability to get the measure before the House by ordinary procedure, Rep. Rankin of Mississippi, chairman of the Committee on World War Veteran Legislation, has started a petition to discharge the Rules Committee. The bill, which would cost an estimated \$24,000,000 to \$48,000,000 the first year, more thereafter, has bipartisan support, bi-partisan opposition. ★ Political problem: In campaign year, the bill is loaded with political dynamite. House leaders have been anxious to avoid a record vote on it which would put members on the spot as between veterans and economy-minded voters.

### Arnold Eyes Food

ASSISTANT ATTORNEY GENERAL ARNOLD is casting a baleful eye at the food industry and will make it the field for his next major anti-trust move. He is certain he can turn up practices fully as sensational as those which have given national headlines to his current building inquiry. The food industry investigation will take in collateral lines, such as glass and tin containers, and will cover food manufacturers as well as distributors, chain and independent, labor, particularly truckmen.

Arnold estimates the inquiry will cost \$300,000, and this is the obstacle to an immediate start. If he gets enough guilty pleas in his building inquiry he will turn his men into the food field without delay.

### Fish Defense

EX-GOVERNOR BREWSTER, Maine Representative and Senatorial candidate, probably will succeed in running the skids under General Seafoods' plan to build a fish-freezing plant in Newfoundland (BW—Apr 13 '40, p20). Duty-free importation of such packaged, quick-frozen fillets from the "treaty coast" would be blocked by the bill sponsored by Brewster and his colleague, Rep. Oliver.

That the real purpose of Oliver's bill is to stop General Seafoods' project became plain this week when the House Fisheries Committee entertained amendments exempting other fisheries. Even though the bill fails to pass Congress, its backers expect the Treasury to take the hint, reverse its ruling under which General Seafoods could bring in its product duty free.

### Independents Independent

INDEPENDENT wholesale and retail grocers and druggists are boiling mad at Sec. Wallace of Agriculture. They believe he has let them down badly by coming

### Educational Orders

THE ARMY is trying to convince the Senate Appropriations Committee that its House colleagues were all wet when they raided the \$16,250,000 kitty reserved for educational munitions orders of all but \$2,000,000 in order to buy more regular equipment. The House reasoned that our manufacturers would get their "education" on Allied orders for these technical items. Furnished with designs of scores of items, the Allies' agents went shopping but it turned out to be only window-shopping when they learned that practically none of the articles could be delivered in quantity in a coon's age. That means that our own Army couldn't get 'em either.

★ Expectation: At least partial restoration of funds for developing techniques of mass production of critical items.

out publicly against the Patman chain-store tax bill. Indignation of the grocers is so great it may wreck Wallace's Agricultural Advisory Council. The independents now are in no mood to sit down at the same council table with Wallace and what they call his "chain store stooges."

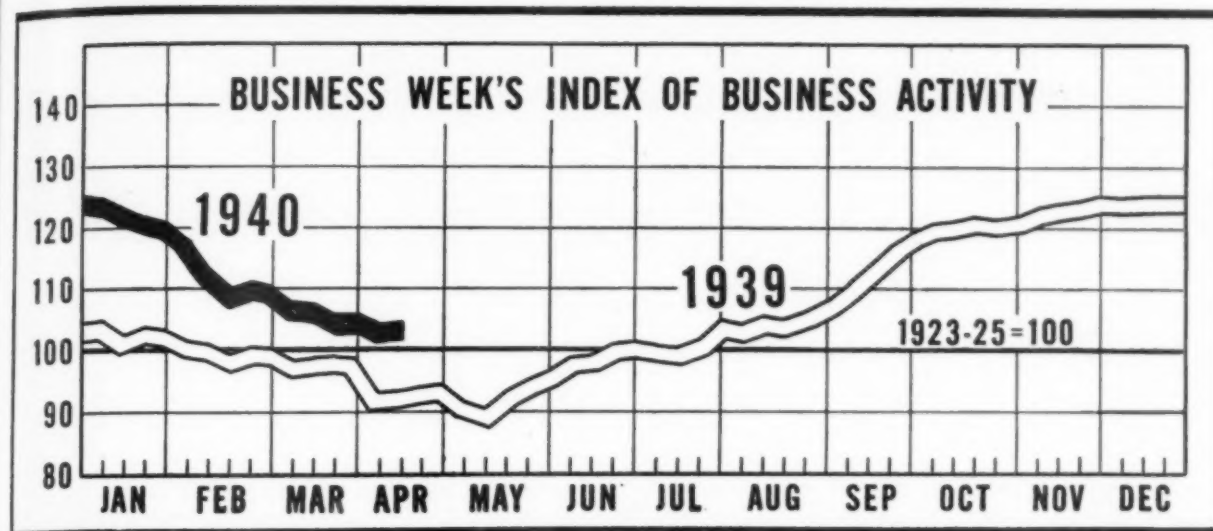
★ Outcome: If the Agricultural Council isn't wrecked, the independents will certainly blow the lid off at its next meeting—if Wallace calls one.

### P. S.

SEN. TOBEY of New Hampshire is suspected by political foes—or at least charged by them—with having a hidden motive in his attempt to discredit the census. New England probably will lose several Congressmen as a result of the population count on which state representation in the House is determined, while other states, principally in the South, will gain additional seats. . . .

THE WEATHER was this week's most absorbing subject of speculation as Washington staged the cherry blossoms, the D. A. R., a circus and the opening game of the baseball season, described by Pro Tem Speaker Rayburn in dismissing the House early on Tuesday as an "important national event." . . . SENATE PATENTS COMMITTEE has decided that it can dispense with hearings on the House-approved Lanham bill revising the trademark law. Traditional Congressional apathy toward technical patent and trade mark legislation has balked Rep. Lanham's efforts. . . . BILL sponsored by Rep. Somers of New York to simplify tin can sizes doesn't stand a chance of passing but consumer groups hope, through early hearings, to put heat on the industry.

## THE FIGURES OF THE WEEK



	\$Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
<b>THE INDEX</b> .....	*104.8	†104.3	107.5	121.1	93.5
<b>PRODUCTION</b>					
Steel Ingot Operations (% of capacity).....	60.9	61.3	62.4	90.3	50.9
Automobile Production .....	102,940	101,655	105,720	75,860	88,050
Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$8,545	\$8,498	\$8,431	\$9,753	\$10,478
Electric Power Output (million kilowatt-hours).....	2,418	2,381	2,460	2,495	2,171
Crude Oil (daily average, 1,000 bbls.).....	3,854	3,745	3,890	3,714	3,495
Bituminous Coal (daily average, 1,000 tons).....	1,377	1,412	1,378	1,692	276
<b>TRADE</b>					
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	69	68	68	82	68
All Other Carloadings (daily average, 1,000 cars).....	34	37	36	57	21
Check Payments (outside N. Y. City, millions).....	\$3,903	\$5,189	\$4,142	\$3,993	\$3,672
Money in Circulation (Wednesday series, millions).....	\$7,509	\$7,521	\$7,463	\$7,346	\$6,835
Department Store Sales (change from same week of preceding year).....	-5%	-20%	+11%	+11%	+22%
<b>PRICES (Average for the week)</b>					
Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	160.1	156.2	157.4	168.0	139.2
Iron and Steel Composite (Steel, ton).....	\$36.32	\$36.83	\$33.86	\$37.62	\$36.32
Scrap Steel Composite (Iron Age, ton).....	\$16.08	\$16.04	\$16.54	\$21.00	\$14.42
Copper (electrolytic, Connecticut Valley, lb.).....	11.500¢	11.283¢	11.375¢	12.500¢	10.500¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.04	\$1.03	\$1.00	\$0.82	\$0.69
Sugar (raw, delivered New York, lb.).....	2.88¢	2.78¢	2.81¢	3.55¢	2.93¢
Cotton (middling ½", ten designated markets, lb.).....	10.46¢	10.43¢	10.35¢	8.80¢	8.42¢
Wool Tops (New York, lb.).....	\$1.020	\$1.003	\$1.031	\$1.210	\$0.835
Rubber (ribbed smoked sheets, New York, lb.).....	19.07¢	18.57¢	18.40¢	20.36¢	15.76¢
<b>FINANCE</b>					
Corporate Bond Yield (Standard Statistics, 45 issues).....	5.55%	5.55%	5.55%	5.69%	5.85%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.24%	2.20%	2.24%	2.66%	2.32%
U. S. Treasury 3-to-5 year Note Yield.....	0.45%	0.39%	0.42%	0.66%	0.51%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	½-¾%	½-¾%	½-¾%	¾-¾%	½-¾%
Business Failures (Dun & Bradstreet, number).....	344	274	254	237	313
<b>BANKING (Millions of dollars)</b>					
Demand Deposits Adjusted, reporting member banks.....	19,465	19,175	19,507	18,451	16,388
Total Loans and Investments, reporting member banks.....	23,466	23,315	23,437	22,568	21,691
Commercial and Agricultural Loans, reporting member banks.....	4,393	4,414	4,367	4,288	3,852
Securities Loans, reporting member banks.....	1,104	1,101	1,135	1,034	1,224
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	11,317	11,228	11,330	10,799	10,251
Other Securities Held, reporting member banks.....	3,518	3,438	3,491	3,361	3,320
Excess Reserves, all member banks (Wednesday series).....	5,950	5,820	5,777	5,399	3,679
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,500	2,512	2,524	2,810	2,584
<b>STOCK MARKET (Average for the week)</b>					
50 Industrials, Price Index (Standard Statistics).....	119.1	121.2	117.4	125.2	104.9
20 Railroads, Price Index (Standard Statistics).....	31.1	32.1	30.4	34.8	25.4
20 Utilities, Price Index (Standard Statistics).....	68.9	70.1	67.6	68.5	61.8
90 Stocks, Price Index (Standard Statistics).....	97.5	99.3	96.0	102.1	85.7
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	1,069	†1,572	697	1,048	644

\* Preliminary, week ended April 13. † Revised. § Date for "Latest Week" on each series on request.

# It's Performance Like This That Keeps Machines Available and Contributes to Low-cost Manufacturing

**Salem, Mass.  
PEQUOT MILLS**

Since installation in 1915, 4000 G-E motors in mammoth weave shed have operated 41 hrs. per week, 50 weeks a year, at maintenance cost of less than 5 cents per motor per year.

**Cedar Rapids, Iowa  
QUAKER OATS COMPANY**

Accurate records kept since 1934 show 1540 G-E motors, totalling more than 15,000 hp, cost only \$529 per year for maintenance and repair—only 3½ cents per hp!

**Los Angeles, Calif.  
BLUE DIAMOND CEMENT CO.**

At a cost of only 2.2 cents per hp for upkeep, "ten years of heavy service have proved the dependability of General Electric motors." Statement of Mr. W. G. Bradley, Vice Pres.

**Nashua, N. H.  
JACKSON MILLS OF NASHUA  
MFG. CO.**

For 5 days in spring floods of 1936, 880 G-E motors remained under water. Choked with mud, and thought to be ruined, 876 of them needed only cleaning and baking dry to be restored to service.

**Detroit, Mich.  
GEMMER MANUFACTURING CO.**

Chief Electrician, Tom O'Neill, says, "General Electric motors are second to none." "No loss of production because of motor failure," adds Carl Russell, Plant Supt.

**Buffalo, N. Y.  
GREAT LAKES PORTLAND CEMENT**

Installed motors in 1926. For 7-yr. period 1931 to 1937 total motor maintenance cost for a horsepower-year was only 16 cents, of which labor costs were double the material costs.

That vitally important quality **DEPENDABILITY** is difficult to include in specifications but easy to obtain if you insist on General Electric equipment. We are always glad to work with you,

your consulting engineers, or machinery manufacturers, in applying the correct equipment skillfully to your job in order that you may obtain the greatest profits. General Electric, Schenectady, N. Y.

# GENERAL ELECTRIC

680-2

April 20, 1940

## THE BUSINESS OUTLOOK

**War once again dominates domestic business. Commodity prices extend recent advances as corporations would rather be slightly overstocked than understocked. Recession may be "rounding out a bottom."**

ONCE AGAIN—as last September—war dominates domestic business. The markets respond not to immediate supply-and-demand relationships but to war news and war emotions. Industrial activity, as a consequence, is apt to be jumpy over the next few weeks. Nor should it be surprising if the stock market moves up or down with Allied successes or failures at the battlefield instead of being guided solely by the hard facts of corporations' profits or losses. For by and large, American well-wishings are definitely on the side of the Allies; investing and speculative policies are bound to be affected accordingly.

### Rather Long Than Short

So stock market movements are apt to be over-excitable and not too trustworthy. Commodities, on the other hand, are somewhat more realistic. Not only do they tend to reflect the calculated judgments of business men's probable needs for goods, but they also reflect the general state of confidence; expansion in buying of commodities usually indicates a willingness on the part of the business community to take longer risks. For that reason, the strength in commodity prices (chart on cover) is of special significance. The gains immediately following the German invasion of Norway have been extended. Purchasing agents, apparently, would rather be long on inventories than short.

### The Steel Price Cut

Even the steel industry's \$4 reduction in sheet and strip prices did not dampen the buying movement in the general list of commodities. Though the non-ferrous metals have been more or less quiet, rubber and tin (because of worry over shipments) have been strong, and wheat this week rose to the season's high on (1) reports of crop failure in Rumania and (2) the known short winter wheat crop here. The real test of the steel price structure, as has been said here often (*BW—Feb 17 '40, p. 13*) will come when the auto industry enters the market on 1941-model steel. With the change-over period this year due along about August, that test is not far off. So, naturally, the steel price structure is likely to be nerv-

ous, as consumers wait to see whether the industry can make its current level "stick" for the big auto makers.

Once one of the big motor companies places 1941-model business, new orders will tend to flock into the steel companies from all types of consumers. And badly-depleted steel company backlogs will be built up. In the meantime, the steel operating rate has been fairly stable a point or so above 60% of capacity, and it is not likely to drop much below that figure in the next few weeks.

### Signs of Stabilization

Indeed, it seems fairly safe to say that the steel rate has been stabilized and that the next important move ought to be up, rather than down because:

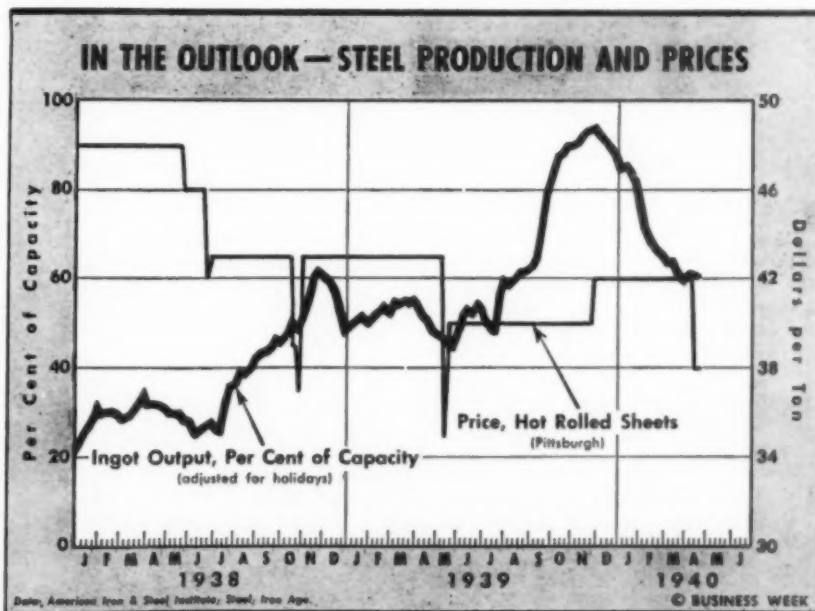
(1) For several weeks, steel consump-

tion has outrun production, indicating that consumers were destocking. This is borne out by the expansion in new ordering that occurred early this month—an expansion which was checked, incidentally, by the price cut.

(2) With quantity auto business not very far in the offing, it is natural for the steel industry to keep up its ingot production, if only for the purpose of being ready to make quick deliveries of finished steel when it's needed.

### Paperboard Upturn Suggestive

There are other signs that the recession is "rounding out a bottom" as Wall Street would say. Paperboard orders increased sharply as soon as the word came that Scandinavian pulp shipments might be cut off. Prices advanced. Since paperboard is used for all manner of wrappings, this upturn is symptomatic of steadying tendencies in many lines of industrial activity. Production has also begun to stabilize in textiles in response to the buying movement in gray goods (*BW—Apr 13 '40, p. 13*). And residential



United States Steel Corp. brought undercutting in the steel industry out into the open late last week by announcing a price reduction of \$4 a ton on hot- and cold-rolled sheets. Object: to stabilize the competitive structure and bring in new business.

But this week new orders did not exactly pour in and there were sporadic reports of shading still going on. Prices (see chart) have a way of weakening whenever output is at or below 60% of capacity, strengthening when it rises near 70%.

construction has been showing expansionary tendencies, though contracts awarded are still moderately below last year.

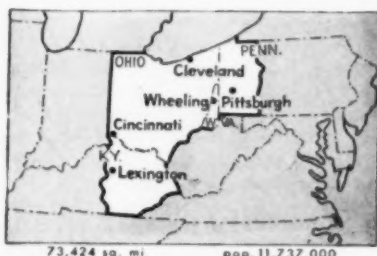
Moreover, the heavy industries probably are due for an unexpected lift. The German occupation of Norway has spurred demands for additional expenditures on U.S. armaments. That means,

incidentally, that government deficit-spending probably will continue as a prop to general business.

The BUSINESS WEEK INDEX is now at 104.8, and there is no immediately foreseeable stimulus to push it either sharply up or down. The recession is still in the leveling-off phase; at the moment, the strength in commodities is the most clear-

cut and favorable business indicator. Incidentally, there's a statistical quirk worth noting. Electric power production jumped 11.4% last week. A series of unseasonably cold, dark days caused householders and storekeepers to use more juice. Actually, the bad weather—which caused the rise—was bad for shipping and therefore business.

## The Regional Business Outlook



**CLEVELAND**—The major industries here—steel, coal, auto supplies—are past their seasonal peak and normally should begin to decline. However, orders to steel companies have been picking up a bit, and stabilization in the operating rate seems possible over the next few months. A special lift, of late, has come from export business, but the \$4 break in sheet and strip prices has put a dent in profit margins.

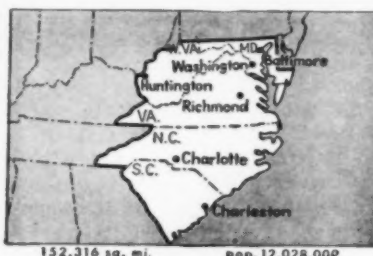
The new turn in the European war has not caused any crush of business, even though this is generally regarded as the country's "war baby" district. Machine tool companies are running along at a high capacity, but pressure for delivery has let up and new orders have begun to slip.

### Meshing with Autos

Auto parts, tire, and glass manufacturers hope for a steady inflow of new business for another month or so—as partial compensation for the contra-seasonal tapering off in March. Operations, however, will closely mesh with automobile assemblies. There is never much stocking in the motor industry—either on this end or in Detroit.

As in the nation, department store volume has fallen back to last year's level. Bad weather has been the potent factor. However, durable consumer goods—automobiles, electrical appliances, new homes—are selling well. Layoffs have not been severe as yet and workers still feel flush with savings accumulated during last year.

A development worth watching throughout the district is home building. The \$2,500-to-\$3,000 home seems to be taking hold.



**RICHMOND**—Big news down here comes from New York; the recent buying movement in cotton textiles is estimated to have put two months' orders on the books of mills in the Carolina Piedmont. This is a supporting influence on employment and payrolls as well as raw cotton prices.

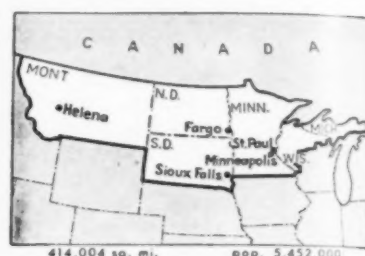
Another wave of buying could easily start production upward, but with inventories in the hands of converters still reported as substantial, such a development is not to be counted on. As it is, district mills have done better than New England manufacturers. Up north, production so far this year has fallen 23%; down here it's dropped only 11%.

Another cold snap has set back farmers—not only in their spring planting but also by damaging peach orchards and tobacco seed beds. In coastal regions, truck crops have been retarded, and farmers now fear they may not mature until northern produce is going to market. Which means congestion, low prices, low returns.

### Early Farm Benefits

First quarter farm income was boosted by early government benefit payments, but from now on current receipts will be correspondingly reduced. Prospects for major cash crops—tobacco and cotton—are somewhat uncertain, because of British import regulations.

Possible loss of Scandinavian trade probably will cut down harbor activity at Baltimore. The port handles a large percentage of American imports of mineral and forest products. Hampton Roads activity already reflects the curtailment of tobacco exports to Great Britain.



**TWIN CITIES**—It's spring planting time in this northern agricultural belt, but to date there has been little plowing, because of the weather.

By April 1, last year, farmers had sown 20% of their spring grains; so far this year neither men nor machines have been of much account in the cold, water-logged fields.

Last month's above-normal rain and snow are now looked upon as a delay, not a blessing. District wheat farmers, encouraged by high prices, had planned to expand acreage by about 10%. But they may not have sufficient time to drill in the grain they intended.

### Flax Prospects

Flax growers in the Red River Valley may also be hurt by the weather. Last year they doubled production over 1938 (*BW*—Oct 21 '39, p. 14). And this year they figured on another 9% expansion; for with ocean freight rates up and deliveries from abroad none too certain, domestic price prospects are promising.

Over the next few months, livestock marketings will be the major source of farm cash. Agricultural income, however, may not come up to the first-quarter, when hog deliveries to market were unusually high. Moreover, the prolonged winter put off shearing sheep and hiked up the mortality rate among the ewes during the lambing season.

Shipping on the Great Lakes is in for an early start; optimism runs high in the mining towns in the Mesabi Range and the northern Wisconsin-Michigan area around Ironwood; there should be full employment at the Lake ports around May 15.

*The Regional Outlook surveys each week three of the twelve business areas of the country.*

## Another Steel Bargain Week

**Industry follows a growing spring custom but effect of price cuts is in doubt as consumers wait to see if auto companies buy.**

ON THE SURFACE, all seemed well this week in the steel industry. The previous week had its "bargain days" for steel. There was price-cutting in sheets and strips, and so the United States Steel Corp.—in a price cut to end price cuts—announced a \$4 a ton reduction on hot- and cold-rolled sheets and strips, and related products. Bethlehem, Republic, Inland, and other companies in the industry followed. And that supposedly was that.

But underneath the surface things were not entirely quiet. Prices generally became unsettled. The steel industry once again was pursuing a costly

custom—doing itself dirt in its annual rush to get automobile business on the books. And this year, unlike previous years, the steel companies themselves started the trouble. In 1939 the automobile people put on the screws, using the old, old gag "So-and-so's offering sheets at such and such a price." This time, reportedly, a small steel company, anxious to keep its sheet mill going, propositioned a Detroit manufacturer and got a small order.

Once the word got round, U. S. Steel tried to stop the spread with the same technique it used to check concessions in October, 1938; then cuts in automotive

steels rapidly extended to bars, shapes, and galvanized products (BW—Oct 22 '39, p16), and for a few days nobody in or out of the steel industry knew where prices stood from one hour to the next.

The current price cut was in the cards. Early in March, when the industry reaffirmed second quarter prices, BUSINESS WEEK pointed out that it was a "show of strength, rather than a real sign of the industry's ability to withstand auto pressure" (BW—Mar 9 '40, p13). Moreover, whenever steel operations get down to around 60% of capacity, the price structure is vulnerable—for at that rate there's not much profit in steel, and the companies go out to get the business necessary to raise their operating rates.

The ironical part about the current reduction is that the business it has brought in has been limited. Instead of making steel buyers anxious to place business, the corporation's announcement caused some of them to hold off. However, a group of steel companies, including U. S. Steel, American Rolling Mill, Youngstown, and others, warned



Wide World

WHEN OFFICERS of the Bethlehem Steel Corp. presented their annual report to stockholders last week in Wilmington, Del., and said a \$1 dividend on common stock would probably be declared, stockholders went along on present management and company policy—all except Louis D. Gilbert of New York, perennial dissenter to Bethlehem proposals, shown at the left, below, protesting to President

Eugene G. Grace. Not quite so active was George H. Blakely, vice-president and member of the Board of Trustees, who was more interested in his daily paper. Bethlehem stock was at that moment going up on the Stock Exchange. Company officers, above: William J. Brown, treasurer; R. E. McMath, vice-president and secretary; Mr. Grace; Hoyt N. Moore, counsel; Caleb S. Layton, assistant counsel.



## Curtain Going Up—on a New TNEC Production



International, Acme, Wide World, Harris & Ewing

*This was the cast of characters in the first act of the Temporary National Economic Committee's new inquiry into the effect of the machine on American civilization—Edsel Ford, president, Ford Motor Co.; Dr. Theodore J. Kreps, economic consultant to the TNEC; Phil Murray, chairman of the C.I.O. Steel Workers'*

*Organizing Committee; Charles R. Hook, president, American Rolling Mill Co.; and John J. Pelley, president, Association of American Railroads. It's going to be a long-drawn out performance, though, and the plot, which hasn't thickened yet, is likely to have a kicker in it before the curtain falls.*

buyers that they could not bank on continuance of the \$4 cut indefinitely.

But automobile men remembered what occurred during the big "bargain week" last May. Cuts were coming right and left and sheet and strips dipped \$8 a ton under listed prices (chart, page 13). Hot-rolled sheets, for instance, sold for \$35 a ton, and most 1940-model automotive steel was booked at that price. Now, even with the \$4 reduction, prices are still \$3 a ton above the 1939 level. The inference is that the automotive industry will put up quite a battle before it pays a higher price for steel this year. Controlling factor, as always, will be the steel operating rate. Of late it's shown signs of stabilizing. And if export business comes in unexpectedly (the cuts don't apply to export steel), the industry may be able to make the new price structure stick. Chief trouble, as it always has been, is rolling mill over-capacity. Last year, not a bad steel year (especially in the last quarter) sheet and strip output was only 78% of capacity. Often it doesn't run much above 55%.

### Price-Fixed Coal

**For bituminous, 11¢ a ton over 1937 realizations, 1.6¢ under average mine costs.**

COAL price-fixing preliminaries under the Guffey-Vinson act entered their final stages this week with publication of recommended minimum mine prices on Appalachian, Midwestern and Southwestern bituminous coals. The proposed schedules, covering over 900 pages, were submitted by trial examiners of the Bituminous Coal Division of the Interior Department. No action will be taken on them by the Division until the findings supporting the many changes recom-

mended have been released and opportunity for hearing has been accorded protesting producers and consumers. Recommendations on Rocky Mountain-Pacific prices were submitted several days ago.

For the industry as a whole, the proposed minimum prices represent an average increase of 11¢ per ton over 1937 realizations, but they are 1.6¢ per ton less than average mine costs. This deficit is due to the fact that the minimum for Price Area No. 1 is 4¢ less than the average cost in that area, embracing most of the Appalachian and Michigan fields, while the minimum for Price Area No. 6 is 1.2¢ less than average costs in that section, comprising Colorado, New Mexico and Arizona. For other areas, the recommended prices range from 0.8¢ per ton above average cost in the Southwest to 5.2¢ in the Midwest.

#### *Below the Level Proposed Before*

Recommended prices are substantially lower than those established by the defunct National Bituminous Coal Commission in its abortive price-fixing program of 1937-38. They also differ in many respects from the minima proposed by the Commission before its functions were transferred to the newly created Bituminous Coal Division last summer. Among the outstanding downward revisions are those affecting mine prices on coals moving to destination via inland waterways. Railroad fuel prices recommended by the examiners also are generally lower than those proposed by the Commission. But a plea the New Haven railroad be given a price of \$1.65 instead of \$1.85 was denied.

For the New England market, the examiners propose a mine price of \$2.45 on smokeless domestic mine-run; this is 10¢ less than the old Commission price and is in line with current spot quotations. Beckley seam 3-in. slack would be

priced at \$1.87—21¢ less than the old Commission price, but 22¢ over recent spot figures. The \$1.87 price also is recommended for the New York City area; recent spot quotations have been around \$1.75 to \$2.00. Recommended prices for southern Illinois 1½-in. raw screenings for the Chicago market are \$1.65 and for lump coal, \$2.65; these closely approximate current quotations in the spot market. For central Illinois screenings, the recommended price is \$1.15—45¢ less than the old Commission price; current quotations range from \$1.00 to \$1.50. Fifth Vein Indiana 1½-in. screenings, currently quoted at \$1.00 to \$1.50 in the Chicago market, carry a recommended price of \$1.40.

### TVA Tax Solution?

**Authority's proposed relief for hardest-hit counties may end present tangle in Congress.**

WASHINGTON (Business Week Bureau)—County tax losses resulting from the Tennessee Valley Authority's acquisition of local utility properties have been a headache for Congress. Until last week a remedy seemed remote. Then TVA indicated its willingness to do some horse-trading, and now things look different.

Already before Congress was the Norris-Sparkman proposal that 10% of TVA's gross power proceeds be diverted to replace the county tax losses for the next eight years. Intent of the joint bill was full compensation for all the counties.

In the Senate the bill reached the calendar with Republican support and is awaiting action. In the House, however, it went to the Military Affairs Committee, dominated by anti-TVA Republicans and coal-district Democrats, who demanded that tax replacement be ac-

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## For the Record



Guttlieb

New York City's Department of Taxes and Assessments is using a new method to supplement its written descriptions of every building on record. Taking a tip from the Police Department's Rogues Gallery, it's photographing every building, with an identifying number.

complicated by a mandatory increase in TVA power rates. The bill languished.

Thus matters stood when TVA stepped forward with a new plan, which would only compensate those counties losing as much as 10% of their revenue. With one exception (Fannin County, Ga.), all counties so affected are in Tennessee. In these, TVA proposes to stand 90% of the tax loss.

What appeals to hostile House committeemen is that this would require little change in the present law, which splits 5% of TVA's power proceeds between Alabama and Tennessee. Although TVA's plan extends the split to all Tennessee basin states, the Authority claims that its increased business will make the 5% adequate to care for the 11 hardest-hit counties and still leave a neat balance for the participating states. Whatever is left over in Tennessee and Georgia after the 11 counties are compensated would revert to the states, possibly for other tax-losing counties.

## Between Pressure and Realism

TVA's change of front places representatives from the valley in a dilemma. Pressure for full compensation is arising from counties falling short of the 10% loss. But, unless these Congressmen accept this proposition, they are not likely to get anything at all.

As a gesture to the homefolks, these Congressmen are expected to make a move on the floor to raise the percentage "cut" of TVA's power revenues and then take what they can get.

## TRANSPORTATION

## Transportation Surveyed—Again

Eastman reports on subsidies while another inquiry headed by Owen D. Young is taking shape, and Congressmen consider study by special board.

LAST WEEK President Roosevelt appointed Owen D. Young, recently retired chairman of the General Electric Co., to head a committee to survey the nation's transportation problems under the auspices of the National Resources Planning Board. When Mr. Young and his associates (to be named later) get down to work, it will mark at least the fifth major attempt—exclusive of legislative inquiries—to cope with our transportation troubles during the past decade. Major study of each has been the problems brought about by the coming of age of competing forms of transport—airplanes, waterways, buses, pipelines, and private automobiles—which cut deeply into rail revenues.

## A Succession of Diagnoses

The survey by the popularly known Committee of Six (*BW—Dec31'38,p12*) is the most recent, and to date the most fruitful, of all the probes into transportation. This committee, composed of three railway executives and three railway labor leaders, spent almost three months in the latter part of 1938 delving into the general transportation situation. Its recommendations led up to the present railroad legislation, introduced in Congress last year and passed in widely divergent forms by both houses (*BW—Aug5'39,p16*), which is expected out of the Senate-House Conference committee most any day.

Earlier in 1938, three Interstate Commerce Commissioners had made a similar study at the request of the President (*BW—Apr16'38,p13*).

Five years earlier, Joseph B. Eastman, chairman of the Interstate Commerce Commission and then Federal Coordinator of Transportation, had begun his famous three-year inquiry into the transportation muddle (*BW—Aug26'33,p13*). A year before that, the National Transportation Committee, including among its members Calvin Coolidge and Alfred E. Smith, had delved into the subject (*BW—Dec21'32,p7*).

Present indications are that Mr. Young and his committee will report their findings within a year. A hint as to the nature of the inquiry was given out several months ago, when Frederic A. Delano, chairman of the planning board, was

asking a House subcommittee for the appropriation. He said the study was designed to piece together "a real transportation picture" to see "what is the most economical and effective way of moving people and goods from one place to another." But there's a big "if" to the study, which lies in the transportation bills now in committee. If, in the bill that emerges, a provision is made for a special board to study the transportation problem, then the study by Mr. Young and his associates may be sidetracked.

Meanwhile, Chairman Eastman came out this week with another one of those reports on transportation, one that had its beginnings in his days as Federal Coordinator of Transportation. This 1,200-page, four-volume study deals with subsidies in transportation, and is entitled "Public Aids to Transportation." In view of its highly controversial nature, it is sure to be met with mixed reactions and violent debate in transportation circles.

Its major findings are:

(1) Motor vehicle users as a class have fully paid their way since 1927 for the construction and maintenance of highways.

(2) There is serious doubt that many subsidized waterway projects are eco-



Owen D. Young has been named chairman of a committee that will study the transportation problem.

# Too Tough?

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nomically feasible. The Inland Waterways Corporation has incurred large deficits, though it has conferred benefits on shippers of a larger aggregate amount. Its competition with the railroads lacks a sound economic basis.

(3) Public financial aid to transportation facilities has not always resulted in commensurate public benefit; sometimes it has added to the existing surplus of facilities.

(4) Public aid to the railroads, while harmful in some respects, has had net results "heavily on the credit side of the ledger."

(5) The land-grant rates given the government by the railroads should be repealed.

(6) Improvements to highway and street facilities and to waterways have greatly increased the volume of public capital permanently removed from the sphere of taxation.

(7) Probable expenditures for additional investment in transportation facilities may exceed \$6,000,000,000 by 1950. On the other hand, under-utilization of existing facilities is chronic. Obsolete and duplicated facilities contribute to this surplus.

(8) Air transportation has not reached a state to make it a serious "problem" as yet, although "its economic strength remains to be tested."

## Truck Trail Blazed

**Freightways welds six big concerns into a unified trans-U.S. highway shipping system.**

ONE DAY LAST WEEK a weatherbeaten motor truck crossed the San Francisco-Oakland Bay Bridge and rumbled to its destination among the warehouses of San Francisco.

San Franciscans, hurrying to work, didn't give the truck a second glance. There was nothing to indicate that it represented something like a milestone in highway transport; that the truck, with a 6500-lb. load of men's clothing, had completed a record transcontinental run from Philadelphia to the Golden Gate in eight days of operation, had arrived at its destination on the ninth morning.

There was nothing to indicate, either, that the job had been done by an organization unique in the trucking field. Freightways, a group of six long-established, large-scale, trucking concerns which have welded their operations to offer transcontinental service with shipments moving on through freight bills, and with interchange of equipment to eliminate delays and damage from interline handling.

Freightways isn't merely a loose arrangement among participating carriers. It is a unified operation carefully supervised by a top coordinating group with

a field staff of operating specialists, and an aggressive sales force. The setup approximates that of the Greyhound organization in the passenger bus field, in which each unit retains its identity but combines with other units to form a nationwide system.

Head office of Freightways is in Salt Lake City and the concern now serves 1900 communities in 28 states with regularly-scheduled trips. It is made up of six units: Consolidated Freightways, Canadian Freightways, Interstate Freightways, Garrett Freightways, Russell Freightways, and Salt Creek Freightways. The organization itself pretty well covers 10 of the 11 western states and runs as far east as Minneapolis. From there, connecting lines fan out to cover the Atlantic seaboard and the Mississippi Valley. From New York to San Francisco through shipments are handled by three companies: Spector Motor Freight hauls to Chicago; Werner Express carries on to Minneapolis; Consolidated Freightways takes over from the Twin Cities to the Pacific Coast.

Big selling point emphasized by Freightways salesmen is that the system offers eastern and mid-western manufacturers fast distribution under a single management throughout the western markets, where there are some 20,000 communities not on rail lines.

### Streamlined Trucks Built

Late last month, the organization held its first annual system-wide conference of executives and salesmen in Salt Lake City with some 115 men attending. Out of the meeting came several disclosures indicating the extent of the service:

(1) One unit, Consolidated Freightways alone, grossed \$3,700,000 last year.

(2) Freightways maintains its own equipment-manufacturing subsidiary in Salt Lake City and is now building the first of a fleet of streamlined trucks which look very much like the locomotive of a railroad streamliner. Eventually, these will be standard equipment throughout the system.

(3) A permanent advisory board of large-scale shippers is being formed to suggest service improvements.

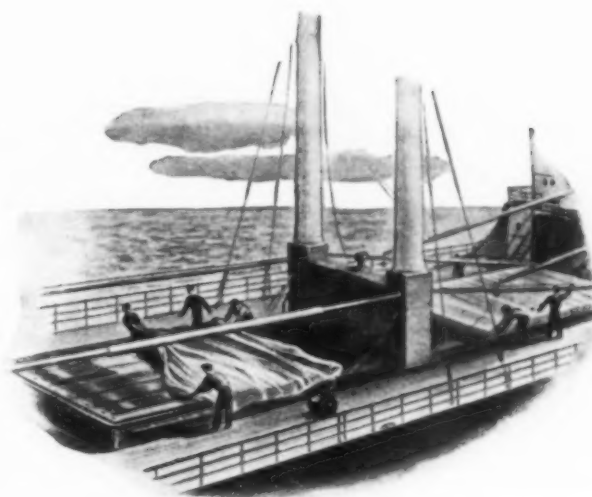
(4) Freightways publishes a Shippers' Guide so customers may check the routes by which their merchandise is travelling.

(5) Pooled loads are delivered at destination to each consignee without extra charge.

(6) Freightways publishes a 28-page house organ semi-monthly for distribution to 1400 employees.

Spark plug of the organization is tall, energetic, Leland James, who started Consolidated Freightways in 1929. He operated originally from Portland to Pendleton, Ore. Later, he extended service to Spokane and then to points throughout the Pacific Northwest. In 1936, James went into Montana and, finally, to Minneapolis.

## Batten Down All Hatches



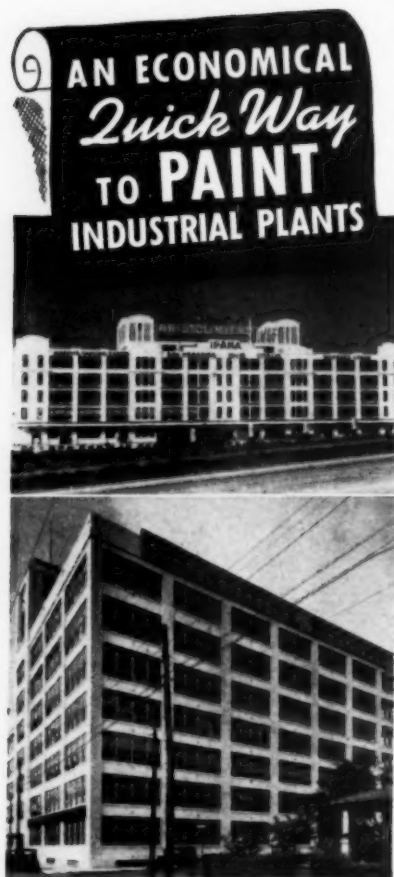
The wise skipper makes everything secure *before* the storm strikes. Similarly, you, too, can make your savings and income secure before a disabling accident catches you unawares.

An accident policy in Standard of Detroit will help you pay for medical and hospital expense, provide temporary income, conserve savings, and speed recovery by relieving you of financial worries.

April 22 to 27 is National Accident and Health Insurance Week — a good time to see your Standard agent or broker. A 56-year record of prompt, fair payments is your assurance of security when you carry a Standard policy.

### STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884



There's no reason why concrete, stucco or masonry industrial plants should be dirty, stained or have a "run down" appearance.

Owners have found that it costs very little to keep exterior or interior concrete, stucco or masonry walls well painted when Medusa Portland Cement Paint is used. Medusa Paint has a Portland cement base that keys the paint to the surface, making a hard, permanent, beautiful finish. This paint is unaffected by water, lime or alkalis that cause ordinary paints to chip, powder or peel.

Industrial building owners particularly like the economy of this paint. It is low in first cost, mixes with water instead of expensive oils and thinners, can be sprayed or brushed on damp or dry walls. It helps prevent mortar joints from crumbling and protects the surface of the building. Medusa Paint is furnished in black, white and eight colors. For painting concrete floors, use Medusa Floor Coating. Send the coupon below for descriptive book.

## MEDUSA

### PORTLAND CEMENT PAINT

**MEDUSA PRODUCTS COMPANY**  
Division of Medusa Portland Cement Company  
1009 Midland Bldg., Dept. P • Cleveland, Ohio



Gentlemen: Please send me a copy of the book "How To Paint Concrete, Stucco, Masonry and Other Surfaces."

Name   
Address   
City  State

Medusa Products also made in Canada by Medusa Products Co. of Canada, Ltd., Paris, Ontario

## MARKETING

ADVERTISING • MERCHANDISING • SELLING

### Television Escaping Lab Again

**FCC finds an out in receiver adjustable to various transmission standards, and licensing of new station indicates industry soon may speed ahead.**

ON EASTER MORNING the radio industry was shocked to read on the front pages of the newspapers that the Federal Communications Commission had rescinded its order allowing semi-commercial television broadcasting, scheduled to begin Sept. 1. The commissioners (except T. A. M. Craven, who issued a sharp dissent) gave as their principal reason the commercial activity of the Radio Corporation of America, which was using full page advertisements offering sharply-reduced prices for receivers in New York's *Times* and *Herald-Tribune*. The commission, in issuing its initial order, had warned against any attempt to "freeze" the standards of television transmission, directly or indirectly, and had emphasized that television must remain on an experimental basis for some time to come. The RCA activity, according to the commission, was not in line with this policy (*BW*—Mar 30 '40, p. 7).

Here was a prime example of government vs. business, and Republican newspapers were quick to take up the standard for untrammelled development of television. So great was the pressure

that Chairman James L. Fly was forced to explain his position on two national networks. He had the misfortune to request the facilities of the NBC (RCA subsidiary) network at a time when it would cost the network \$10,000 due to cancelled commercial programs. This circumstance was not overlooked by the newspapers, and further explanations were in order.

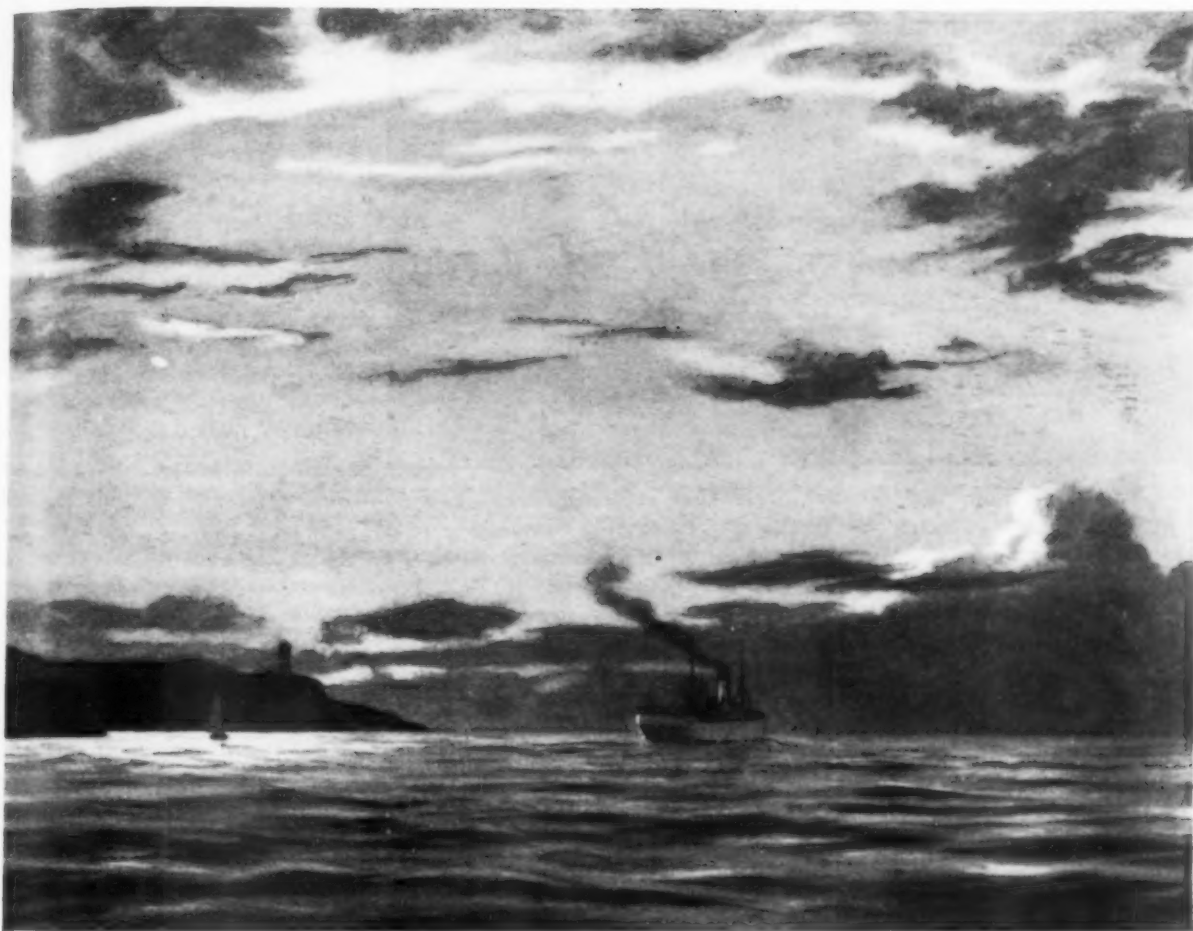
#### Deflating Political Football

Senator Lundeen introduced a motion in the Senate calling for an investigation of the FCC's interference in television affairs, and a first class political football was in the making. Chairman Fly went to see the President, then issued a statement that the industry had revealed itself ready to remedy the cause of the commission's objections, and that television's orderly progress would be resumed at once. The President himself stated that the differences would be patched up "this spring and summer." No word about the commercialization of television broadcasting was given, but it was assumed that the original date of



James L. Fly, FCC chairman (left), and David Sarnoff, president of RCA, get together on the signals which will let the television industry

speed ahead, at the Senate Interstate Commerce Committee's television hearings. Committee Chairman Burton K. Wheeler beams on the right



## A PLANTATION PUTS TO SEA

Slogging northward through restless waters... plunging into purple... rising and flecking her plates with spray... a throbbing, unruffled little ship brings to your table the sweet and tender delicacies of the Tropics.

Yearly... from Honduras, Guatemala, Mexico, Chiriqui, Cuba, Costa Rica... a \$159,000,000 cargo of bananas alone makes its never-ending way to the fruit counters of the United States.

Insurance may protect the value of this cargo... skilful navigation may save it

from the hungry sea... but only mechanical cooling can preserve it against the slow spoilage and destruction of time.

Through the application of mechanical cooling, York has contributed to the improvement of domestic fruits, too. Not so many years ago fruit for distant markets had to be picked green, but no more. Today, oranges, apples, pears taste as though they'd ripened on the tree... and they have! Picked at the peak of its lusciousness, the warm, ripe fruit is placed in huge pre-cooling chambers located at the groves and orchards. Here the heat is removed quickly and scientifically. Refrigerator cars and refrigerated ships de-

liver these "perishable" fruits, fresh and tree ripened, to the markets of the nation.

In these and many other problems of food storage and preservation, York refrigeration and air conditioning play a vital part. And out of more than half a century of solving the impossible has come a vast experience and engineering skill.

Whatever your refrigeration or air conditioning requirement... good sense and sound investment say, "Call Headquarters first!"

York Ice Machinery Corporation, York, Penna. Branches and Distributors throughout the world.



### Headquarters for Mechanical Cooling Since 1885

See the latest York equipment at the showroom of the York Branch or Distributor nearest you

Refrigeration and Air Conditioning for every Industrial Application • Comfort Air Conditioning for every type of Store, Restaurant, Office, Hotel, Institution or Residence • Marine Refrigeration and Air Conditioning • Yorkaire Automatic Heating • Refrigeration for every Commercial Use; Hotel and Restaurant Refrigerators; Beverage Dispensing Equipment • FlakIce Machine—Ribbon Ice in 60 Seconds • Dairy and Ice Cream Plant Equipment • Refrigeration Accessories and Supplies.

## The Skyrrocket—Ready for Action



Official U. S. Navy Photo

The new Grumman Skyrrocket, put through its first public tests last week, is claimed to be the world's fastest pursuit plane, with a top speed of 450 m.p.h. Other advantages: A long range, because of its

large gas capacity; steep climbing ability (it sharply outmaneuvered a conventional pursuit ship in tests); and unrestricted gunfire. Built primarily for U. S. Navy use, it has already been released for export.

Sept. 1 might be met after all, or it might be set early in 1941 at the latest.

Behind this comic-opera activity is a considerable story of an industry washing its linen in public, with a socially-conscious government body holding the laundry ticket. It goes back to NBC's request to the FCC for permission to operate its New York television station on a semi-commercial basis. The commission held a hearing early this year to determine whether such operation should be granted in this case, and in others which were pending. At this hearing, the industry got off to a bad start.

### Insurgents Offer Own Ideas

In 1938 most of the major receiver manufacturers (including RCA, Philco, and Zenith) had formulated, through a committee of the Radio Manufacturers Association, a group of television transmission standards and had, through the R.M.A., recommended their adoption by the FCC. By 1940, the situation seemed definitely settled. NBC had incorporated the R.M.A. standards in its New York transmitter, and some ten receiver manufacturers had offered commercial receivers based on these standards. But at the hearing, Philco and Zenith entered objections to the R.M.A. standards, said that further experimentation was necessary.

Allen B. DuMont, an independent with financial backing of Paramount Pictures, joined in the opposition and offered a new set of standards. This left RCA, General Electric, and Farnsworth holding the bag for the R.M.A. standards. Moreover, it left the FCC with a considerable doubt in its mind. For reasons that are not too clear, the industry was fighting within itself.

Shortly thereafter, another division of the radio industry came forward, in another hearing before the FCC, to urge the immediate commercialization of frequency modulation, the new staticless form of sound broadcasting. This group presented a solid front, and made a very strong case for taking away roughly one-fifth of television's useful ether space and turning it over to f-m (*BW—Jan 27 '40, p.30*).

Television had two strikes called on it. Then RCA, taking the commission at its word that semi-commercial television would start Sept. 1, began a concentrated selling campaign. As that ball went over the plate, the umpire called television out. The semi-commercial television was cancelled, pending a hearing on April 8, to determine whether research in television was being impeded by commercial activity.

### Transmitter-Receiver Relations

The crux of the matter is the lock-and-key relationship between each television receiver and the transmitter to which it is tuned. Television pictures are sent as a series of lines, like lines of type on a page. The receiver must be adjusted to receive a picture of the exact number of lines sent out by the transmitter, and moreover it must reproduce the succession of pictures at the same rate as the transmitter sends them out.

The quality of transmission depends on the number of lines per picture and on the number of pictures or "frames" sent per second. If the transmitter, seeking to improve its output, were to change the number of lines or frames, the receivers would have to be similarly adjusted, or they would become useless.

For years the industry had been tell-

ing itself that these specifications would have to be fixed to permit a public television service. The R.M.A. standards in this respect are 441 lines, 30 frames per second. Philco urged that 605 lines and 24 frames would make a better picture. DuMont advanced 625 lines and 15 frames. The R.M.A. proponents countered with claims that Philco's 24 frames would make receivers expensive if operated on 60-cycle power, that DuMont's 15 frames would tend to produce flickering pictures, as had the old 16-per-second standard in the movies. The commission sat back and wondered which was right.

### Industry Gets a Scare

When the April 8 hearing got under way, it was only too clear that the industry had been badly scared by the FCC's threat to put television back into the laboratory. Philco and DuMont maintained their original positions, but they as well as the witnesses for RCA agreed that there was no reason why a receiver could not be built capable of operating in accordance with all three proposals, and on any others that might be made in the near future. To make such a receiver would involve some extra cost, estimated at from \$5 to \$40 per receiver. This would be a sufficiently small part of the total cost to make it an absorbable part of the selling price.

The public would pay, unwittingly, for insurance against obsolescence. Furthermore, the witnesses agreed that if the standards could be kept flexible—no harm would come of permitting semi-commercial operation of television broadcasting, and that considerable good would come from the increased activity in research into the type of programs which would take the public fancy.

If the FCC wanted an out for its decidedly unpopular decision, here it was. The late indications were that it would accept the industry's assurances at face value. First definite evidence was the granting, on April 13, of a license to DuMont for a class 2 "public program-service" television station to be located at 515 Madison Ave., New York.

### Public Will Compare Systems

This station will operate, according to present plans, alternately on the several proposed types of transmission, and the public can compare results by adjusting receivers, providing the receivers have the necessary flexibility built into them. Whether the receiver manufacturers would answer the challenge and offer such receivers at increased prices remained uncertain. If such action is made a condition by the FCC, the large manufacturers in the R.M.A. can be expected to offer assurances that they will cooperate. Then television, with the benefit of nationwide publicity and government blessing, is expected to go forward with renewed energy.

## Crisis Comes to the Oyster Beds

**Industry's troubles are more acute than ever as result of January freeze and inroads of starfish. Growers ask for state and federal aid.**

TO OYSTER GROWERS THIS YEAR, May 1 means the end of a lean season. The season is rather an arbitrary thing. Actually, most American oyster varieties can be eaten during the summer with no ill effects, though they aren't so fat and succulent. (It takes cold weather to put meat on an oyster.) Safeguarding the breeding season rather than the consumer accounts for the prevalence of state laws forbidding sale and shipment of oysters during May, June, July, and August.

At best the U.S. oyster business is a pretty big headache, but right now things are worse than usual. January's big freeze made it difficult to get into many of the Atlantic beds from Virginia north and pushed the price of oysters up to as much as \$2.50 a gallon shucked in northern markets. On top of this, the oyster beds from Long Island Sound to Maine are seriously threatened by a starfish invasion. These are beds which supply the New York market, biggest and most profitable in the country, and are responsible for a yearly crop of over 12,000,000 bushels—better than a seventh of total U.S. production.

### The Results of a Hurricane

Starfish have plagued oystermen off and on for years. They settle down on the defenseless oyster, suffocate it, then force the shell open and eat the meat. Chief reason for the present epidemic—the worst the industry has ever had to cope with—is the New England hurricane of the fall of 1938, which jolted the starfish out of their regular feeding grounds and drove them into the oyster beds.

Three weeks ago, worried oystermen met in New Haven to discuss methods of control, and they are currently bombarding federal and state governments with petitions for emergency grants. It is estimated that, even in normal years, starfish cause an annual loss of some \$500,000 worth of oysters in Connecticut alone, and chances are that if something isn't done before summer breeding gets under way, they'll wipe out almost the entire 1940 crop.

### Archival: Citrus Fruit

Total U.S. oyster production in 1938 was around 104,000,000 lb., a drop of 55% from 1912's high of 230,000,000 lb., but a rise of 65% over the depression low of 63,000,000 in 1933. Biggest part of the recent rise has come since 1935, when the Oyster Growers and Dealers Association

ran a \$70,000 national advertising campaign, which it repeated in 1936.

In recent years the oyster business has suffered from the competition of such appetizers as tomato juice, fruit cup, and half-grapefruit. Ask an oysterman what he considers the biggest reason for the drop in national consumption from a

yearly average of  $2\frac{1}{2}$  pints per capita in 1912 to  $\frac{1}{2}$  of a pint in 1938, and he'll reply, "Citrus fruit."

Indications are that this oyster season will end up little, if at all, ahead of the preceding one. What oyster growers are doing to increase sales takes the form of indirect promotion to newspapers, home economics teachers, and libraries through the Association and the Oyster Institute. Rich vitamin content and easy digestibility are stressed. The Institute sends a monthly bulletin to hotel and restaurant associations. (Hotel-restaurant business represents almost 10% of oyster output.)

Backers of the Institute and Association are the few big oyster growers like J. H. Miles, of Norfolk, Va., the Blue-points Co. of New York, and the Andrew

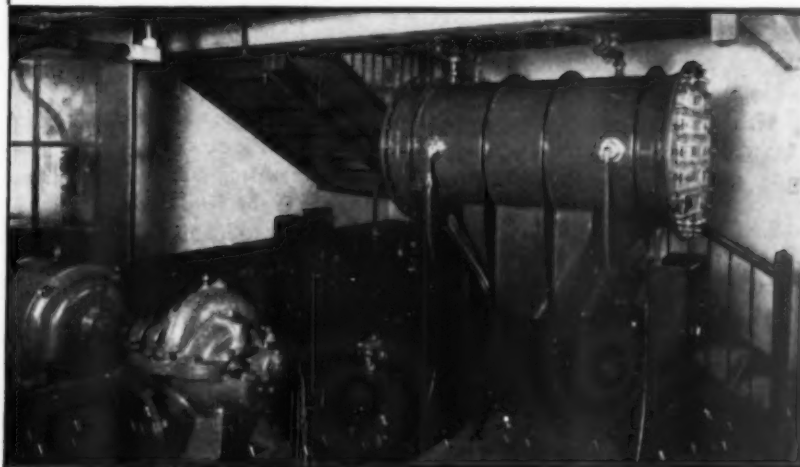
## First Plant to Ozonate Municipal Water in U. S.



Engineering News-Record

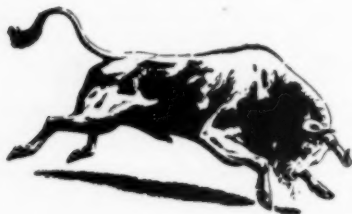
TO DENVER, PA. (not Colo.) goes the palm for the first ozonation plant in the U. S. to treat odor, taste, and bacteria in municipal water. During the drought of 1939, the little community of 2,100 experienced bad tastes and odors in its water, even after filtration and chlorination. The result was this modern monolithic concrete water works, which began operations last month with an Ozonizer developed by Ozone Processes, Inc., of Philadelphia. The device below generates ozone by pass-

ing filtered compressed air through a silent blue corona discharge created between dielectric plates at high voltage—an operation not uninteresting to utilities seeking additional "load." Ozonated air is forced upward through water in a reservoir, treating 300,000 gallons per day by oxidizing any organic material which might be present. Similar plants have long been operated successfully in Europe. The next installation in this country will probably be in Whiting, Ind.



# From tough steer— to *TENDER STEAK*

by Westinghouse



• *When a friend unexpectedly happens to drop in for dinner, it's no more than right that he take pot-luck for granted. But when we carefully plan a dinner, long in advance, most of us pretty much stick to the rule of serving the best food we can get.*

• *That rule was rudely broken last April, when one hundred and forty-six people sat down to dinner at a Cleveland hotel. It was a notable group—civic and industrial leaders, food experts, home economists, chefs, editors—people invited for one particular purpose, to taste a new kind of steak.*

• *They were not served choice beef; those steaks were not expensive. Average in quality, average in price, average in every respect—but one! This beef was treated by a new process, called Tenderay, which has the peculiar ability of making ordinary beef as tender and juicy in just three days as the expensive cuts the very finest hotels serve after three or four or five weeks' aging.*

• *The guests were delighted. The steaks, they said, were excellent. But they were not half as pleased as Mrs. Cleveland housewife who learned that from that day on she could buy the same kind of beef at her own store. Heard that for the*

first time she could buy steak without guess and without gamble and know that it would be tender—always.

• *The Tenderay process, developed by Westinghouse in cooperation with the Kroger Food Foundation and Mellon Institute, depends on a lot of factors; humidity, temperature and what not. BUT—and here is where Westinghouse research plays such an important part—the process would be utterly impractical without the newly perfected \*Sterilamp which kills bacteria with light and keeps the meat fresh and sweet.*

• *He would be a rash prophet who'd care to predict the uses commerce and industry and medicine will find for the Sterilamp. A poultry man says it solves his turkey raising problems. Restaurants, hotels, bars and soda-fountains—in ever increasing numbers—depend on Sterilamps to keep glasses sterile; meat markets and groceries to keep food fresh, to reduce spoilage and refrigeration costs. One of the country's largest hospitals has installed Sterilamps to sterilize the air in the operating rooms. Another in the nursery to protect babies in their cribs.*

• *Certainly Westinghouse, when this development started, did not know its ultimate scope. And that, after all, is the way of research and its great justification. It is an exploration into the unknown, it follows new paths and uncharted byways—not with the assurance of success; merely with courage and experience and knowledge, and sound common sense as a guide.*

Rodel Co., of Norwalk, Conn. Main trouble of the big producers is that over half of U. S. oyster production comes from public beds, where independent farmers, like Chesapeake's "Free Bay Men" can go into the business with no more equipment than a 35-foot dinghy, and keep prices down by their low overhead and slim profits.

## Hopes for Summer Market

Oyster growers see great possibilities in improved transportation and packaging—in which the industry lately has made considerable progress. Sales of by-products, chiefly shells which are used for chicken feed and fertilizer, have just about reached their maximum. Eventually, via quick freezing, the industry hopes to develop a summer market, but it is hard sledding because consumers have come to think of both oysters and quick frozen foods as winter delicacies. General Foods, which gets most of the quick frozen oyster business, has pushed sales of its Bluepoints, via both General Sea Foods and Birds Eye, to a point where summer sales constitute between 20% and 25% of its total quick frozen oyster business and hopes to run this figure still higher.

## The Women Advise

**Consumer education plan in Los Angeles now embraces group of leading department stores.**

AN ATTEMPT by a group of leading department stores in Los Angeles to encourage consumer education among customers is getting down to some serious business.

Last fall, the May Co. invited a consumers' committee of women to act as a permanent body for advising store executives (from the viewpoint of customers) on standards, labeling, and other matters (BW—Aug 5 '39, p. 22).

This committee recently extended its scope to advise with other Los Angeles stores and the Los Angeles Better Business Bureau assumed supervision of its activities.

Current job is to work out a scheme for labeling furniture by a method similar to the BBB's "Name-the-Wood" system under which the different woods are identified on exposed surfaces. A subcommittee of three women, with three retailers and three Los Angeles furniture manufacturers, is now at work on the project.

The subcommittee has learned, among other things, that the average Los Angeles furniture retailer doesn't like tags but prefers stickers to indicate price and quality; that he doesn't always like to have his merchandise identified with the manufacturer.

Before the end of the year, the committee hopes to organize a permanent "Consumers Institute" to continue coop-

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# ...the Research discovery that revolutionized paper Towels.

This spectacular advance in paper towel manufacture comes from the famous laboratories of Brown Company, research leaders in wood cellulose development for over 50 years. Brown Company also produces the exclusive cellulose raw materials for Aqualized towels...insuring *complete* quality control at all times.



**WHY AQUALIZED TOWELS ARE STRONG WHEN WET.** A paper towel is composed of millions of cellulose fibres. In Aqualized towels these individual fibres are woven together securely by the exclusive Aqualized process of manufacture. They do not come apart when wet. The entire drying surface of the towel can be used. Towel waste is reduced. Washroom economy increased.



**WHY THE AQUALIZED PROCESS ELIMINATES "TOWEL DANDRUFF."** By weaving the towel fibres in place, the Aqualized process prevents fuzz and lint. Aqualized towels shed no loose particles on the user's hands, face or clothing. "Towel dandruff" is eliminated.



**WHY AQUALIZED TOWELS ARE MORE ABSORBENT.** Aqualized towels literally drink up water from wet hands... quickly and thoroughly. Make this test. Pour water on an Aqualized towel. Just see how quickly it is absorbed! No wonder one Aqualized towel will wipe dry.



**WHY AQUALIZED TOWELS ARE SUPER-SOFT.** When you try an Aqualized towel you'll be delighted with its soft texture. This super-softness is imparted by Brown Company's own exclusive celluloses, the same as used in velvety facial tissues.

## A 2-1 FAVORITE WITH MEN WHO KNOW PAPER TOWELS BEST

Twice as many paper merchants sell Aqualized towels as sell any other brand. These are the men who know paper towels best. Try Aqualized towels in your own washroom. You'll prefer them too! For name of local distributor and samples write Brown Company, 500 Fifth Ave., New York, N. Y.



\*REG. TRADE MARK

eration with local merchants and manufacturers.

Members of the committee serve voluntarily and with as little publicity as possible. Mrs. Charles E. Millikan is chairman of the group, which includes six housewives and representatives of the California Federation of Women's Clubs, the Los Angeles Department of Education, Economics Association and the Downtown Shopping News.

As listed by Mrs. Millikan, objectives are to promote: (1) Interest among consumers, distributors, manufacturers, and the public in the value and use of adequate standards for merchandise; (2) use of uniform terminology in describing goods and services; (3) informative labeling; (4) factual and truthful advertising; (5) correct use by customers of such privileges as charge accounts, delivery service, and returns.

## Record Rush

**"Platters" are returning to newsstands and Woolworth's. Advertising rises with sales.**

BACK IN THE BLACK days of the early thirties, the phonograph record industry was teetering precariously on the verge of complete collapse. What little business there was (unit sales dropped from a high of around 100,000,000 a year in the booming twenties to some 10,000,000 at the bottom of the depression) went to two companies, RCA Victor and American Record Corp., now merged with the

Columbia Broadcasting System. Everybody else was pulling up stakes and clearing out for greener pastures. Today, phonograph records are going like hotcakes again (*BW—Nov 18 '39, p. 32*) and fairly conservative estimates are that unit sales neared 50,000,000 in 1939. A host of little record companies have sprung up—the Music Publishers Protective Association has 27 on its list—most of them in the past eight months. Surest indication that business is rosy again is the sudden revival of slick and highly competitive merchandising tactics.

### They're Welcomed Back

As one of many straws in the wind, records are back on the newsstands after a long absence. Early last February, International News Co. got U. S. Record Corp. to turn out a group of popular records, labeled Inco, which sold experimentally via its New York City outlets for six weeks at 35¢ a disc—same figure asked for Decca's popularly-priced platters and RCA's Bluebirds. Evidently sales went pretty well—sponsors claim 85% of the total lot was disposed of in the first two weeks—and now Curtis Publishing Co. is considering distributing records via its 85,000 newsstand outlets at a new low price of 25¢ a disc. If the deal goes through, these will be handled by a new outfit, Newphonic Corp., and pressed by U. S. Record.

Meanwhile, International News is distributing U. S. Record's regular 35¢ Varsity discs, but will hold off on orders for more Inco platters until the Curtis deal has been tested. The Newphonic records probably will be sold on much the same basis as the "Hit of the Week" scheme, which blossomed and folded some ten years ago (*BW—Sep 17 '30, p. 9*).

Records have popped up again in another outlet they were scared out of during the slump—the Woolworth stores. Woolworth has been selling 35¢ Deccas

in around 100 stores all over the country for the past two weeks. So far there's no report on how they're going.

Columbia Recording Corp., which has steadily upped sales of Columbia, Brunswick and Vocalian discs since it took over American Record in 1938, plans to throw a cool \$1,000,000 in the advertising pot for 1940, with heavy consumer ads. RCA will go over this, however, to keep its sales and promotion at the top of the heap.

## Kick from Distillers

**Whisky and brandy people fear market glut, want eight-year force-out limit lifted.**

WASHINGTON (*Business Week Bureau*)—Next big legislative drive by the liquor industry will be to lift the eight-year "force-out" limit on distilled spirits. The campaign is already starting in anticipation of tax legislation by Congress next year. After eight years in bonded warehouses, distilled spirits are "forced out" and must pay the federal tax of \$2.25 per proof gal. levied at the time of withdrawal. There are already more than half a billion gallons of distilled spirits aging in government warehouses (five years' supply) but the industry continues to produce enough each year to replace consumption. Dire foreboders say that in a few years' time there will be enough liquor eight years old to bankrupt the industry.

Wine interests will cooperate with distillers. Although most of the surplus stocks are whisky, brandy stocks have tripled since the California brandy pool was set up by an RFC loan of \$5,220,000 a few years ago. The brandy pool helped to solve the problem of surplus grapes by converting them into brandy. Now there is a surplus of brandy. There are about 20,000,000 gal. in storage, and enough is produced each year to replace the 1,500,000 gal. consumed directly and 17,000,000 gal. used to fortify wine. In a few years, the Giannini interests, who are helping the RFC to support the brandy distillers, will have about 20,000,000 gal. of eight-year-old brandy on their hands and a tax bill of \$40,000,000.

### Time Will Help, Too

The brandy people, lucky that the tax on brandy for consumption as such was not increased to \$2.25 in 1938 like that on other distilled spirits, now are trying to lift the 10¢ per gal. tax on brandy used to fortify wine, hoping that increased consumption will alleviate the problem. But U. S. citizens are not apt to double their fortified wine consumption. More help in solving the surplus problem will come from Father Time, who consumes about 25% of the spirits in storage, via evaporation, soakage, and leakage.



### Speed-Up

Melvin S. Watz, of Watz & Sons Moving & Storage Co., 3001 E. 12 St., Oakland, Calif., has devised a special cabinet for moving glassware and dishes, which cuts out the need for barrels and paper and makes (practically) a split-second operation of this slow, costly job. At a convention of moving men recently, Watz packed and unpacked 240 dishes and glasses in less than 30 minutes. The dish cabinet is made of plywood, 2x2x4 ft., has swinging doors, and close-spaced shelves with rubber buffers to hold dishes apart. The glass cabinet has drawers like a dresser, with individual cushioned compartments for each article.

# Dreams?...well maybe...



Where did each great achievement actually start? Wasn't it with an idea? What if Edison had not dreamed of the first electric lamp? What if Fulton had not dreamed of the steamboat? Such dreams are priceless. Properly directed daydreams are as valuable as work itself . . . oftentimes providing the spark that gives the whole nation new conveniences and opportuni-

ties, thus putting millions to work.

\* \* \*

Speaking of ideas, millions of people have found it a good idea to have Budweiser available for their hours of relaxation. It helps them to become the Perfect Host to a host of friends who prefer it—and it has been wisely said that friends often direct our destinies.

*Live Life. Every golden minute of it. Enjoy Budweiser. Every golden drop of it.*

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**DRINK BUDWEISER FOR FIVE DAYS. ON THE SIXTH DAY TRY TO DRINK A SWEET BEER. YOU WILL WANT BUDWEISER'S FLAVOR THEREAFTER.**



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## LABOR AND MANAGEMENT

### Who's an Executive?

**Query assumes new significance as wholesalers try to show wage-hour rulings are too strict.**

WASHINGTON (Business Week Bureau) — To convince the Wage-Hour Administration that the boss' secretary is an executive in her own right, and the shipping foreman an administrative officer, leaders of the wholesale distributive trades descended on Washington April 10-16. They participated in the first of a series

of industry hearings designed to persuade Col. Philip B. Fleming that the definitions and regulations inherited from his predecessor are too strict. As a result of the hearings, Col. Fleming might show Congress that it doesn't have to tinker with the law to satisfy persistent business criticism.

The second hearing in the series will feature industries allied with agriculture urging a redefinition of the dynamite-laden "area of production" definition. Citrus fruit packers appear May 1; packers of other fresh fruits and vegetables May 6; and canners of all fresh fruits and vegetables May 9. Few processors of agricultural commodities are exempt from the law under the present

"area" definition. Efforts to include more processors by redefinition are based on the contention that prices to farmers suffer from the present ruling, which circumvents Congress' intent to exempt handlers of farm commodities.

Agricultural industries, however, aren't putting all their eggs in the administrative redefinition basket. Their year-long barrage on Capitol Hill has caused House leaders to schedule action on amendatory legislation for the week of April 22. Under last session's House Rules Committee resolution, the House will consider the Norton bill, with the right to substitute, *in toto*, either the Barden or Ramspeck bills.

### All Business Affected

Prepared by the New Deal Chairman of the House Rules Committee, in cooperation with the Wage-Hour Administration, the Norton bill provides restricted compromise exemptions for agricultural industries. Prepared from the industrial point of view and supported by five powerful farm organizations, the Barden bill grants broader exemptions. Prepared as a means of dodging the farm issue, the Ramspeck bill contains no reference to "area of production." The confidence expressed by proponents of the Barden bill appears justified insofar as the House is concerned, but favorable Senate action is remote.

Although primarily of interest to agricultural industries, these bills would affect all business through provisions exempting white collar workers. The Norton bill exempts those making \$200 a month; the Barden bill those making \$150.

It is difficult to predict the extent of practical relief that industry will get in the immediate future as a result of this administrative and Congressional activity, but events indicate a trend toward something to satisfy persistent critics of the law.

### Where the Rub Comes

Present regulations define an administrative or executive employee as one receiving at least \$30 a week, whose primary duty is management, direction, and personnel, and who "does no substantial amount of work of the same nature performed by nonexempt employees." The rub comes from this last provision. The boss' secretary could meet all other requirements, but by taking dictation or typing letters—work similar to that done by nonexempt employees — she must come under the act. Wholesalers urged that this clause be stricken from the definition, and that the minimum for administrative employees be set at \$25 a week, with \$35 for executive employees. This would exempt almost enough wholesale employees to maintain a five-and-one-half day week without overtime pay.

Wholesalers contended that theirs is

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(Left) Baker-Center Control Ram Truck handling 18,000-lb. coil of strip.

(Below) Five of these Baker Articulated Sheet Handlers in one mill load 10-ton packs into box cars at the peak rate of 200 tons per hour each.

Every manufacturer is today faced with the problem of making profits in the face of rising labor costs and increased taxes. Taking advantage of every means for more efficient handling cuts production costs. Baker can help you add to your profits just as it is helping this large Ohio steel mill, in whose plants Baker Trucks and Tractors are handling heavy coils and loading sheets in 10-ton packages...doing this day after day—dependably and economically.

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## NLRB's Largest Election

### SAMPLE OF OFFICIAL BALLOT



UNITED STATES OF AMERICA  
NATIONAL LABOR RELATIONS BOARD

### OFFICIAL BALLOT

To determine the exclusive representative for purposes of collective bargaining for certain employees of General Motors Corporation.

CHEVROLET MOTOR DIVISION,  
NORTH TARRYTOWN, N. Y.

1. This is a SECRET ballot. DO NOT SIGN your name.
2. MARK an "X" in ONE SQUARE ONLY.
3. If you spoil your ballot, return it to the Board's Agent and obtain a new one.
4. Fold your ballot to conceal the "X" you have made and deposit it personally in the ballot box.

<p>If you desire to be represented by</p> <p><b>C. I. O.</b></p> <p>Int'l Union, United Automobile Workers of America</p> <p>Mark an X in the square below</p> <p><input type="checkbox"/></p>	<p>If you desire to be represented by</p> <p><b>NEITHER</b></p> <p>Mark an X in the square below</p> <p><input type="checkbox"/></p>	<p>If you desire to be represented by</p> <p><b>A. F. L.</b></p> <p>Int'l Union, United Automobile Workers of America</p> <p>Mark an X in the square below</p> <p><input type="checkbox"/></p>
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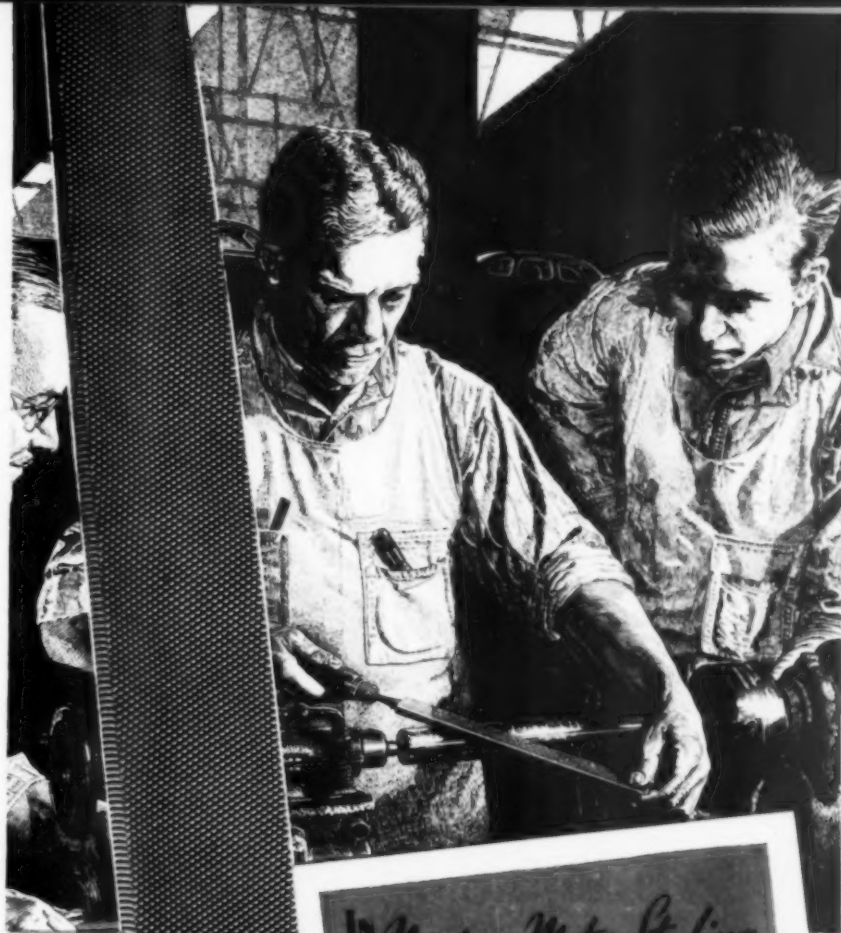
This is a secret ballot and MUST NOT be signed.

X marks the spot on which the A.F.L. and C.I.O. have been contending for the privilege of representing 136,064 General Motors workers. Balloting this week in an NLRB poll, employees in 59 General Motors auto plants are expected to give the C.I.O. big majorities in most of the plants.

primarily a service industry which cannot stand increased costs in the face of growing competition from direct distribution by manufacturers and other forms of distribution based on decreased service. Spokesmen said the Wage-Hour Law was designed to place a floor under wages and a ceiling over hours, but that the present definitions only serve to burden the wholesale trades by increasing high wages paid departmental heads.

#### Percentage Limit May Be Set

The Southern States Industrial Council came out into the open with the proposal that exempt administrative employees be defined to include all "clerical employees, such as bookkeepers, stenographers, purchasing agents, statisticians and other office help regularly employed on a straight salary basis." Wage-Hour officials conducting the hearing had little sympathy with the flat exemption proposal, but indicated some sympathy for a proposal setting a definite percentage of work in lieu of the indefinite "substantial amount of work" provision—say 60%. Bills introduced in Congress would grant complete exemptions from the act



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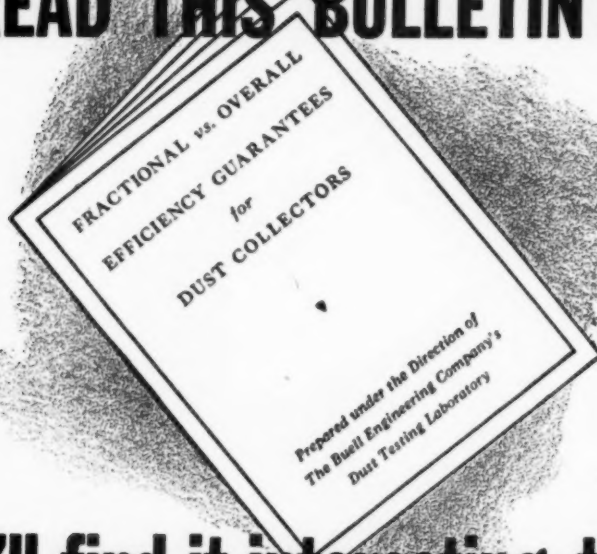
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to wholesale trades, but they have a chance of favorable action this session.

The "outside salesman" was another subject before the wholesaler hearing. Present definition under the law includes route salesmen who make deliveries and collections. Wholesalers—aided by some large manufacturers and bakers whose salesmen make deliveries, collections, take orders, and provide window and store display material—urged redefinition to exclude route salesmen from the act. They pointed out that a salesman, even if he makes deliveries, cannot keep regular working hours, because he has to do business at the customer's whim and on his own. Union representatives opposed these changes. They charged that proposed redefinitions would, in effect, amend the law without Congressional action, and would nullify the highly important ceiling over hours.

## Two-Edged Labor Act

**Wisconsin law designed to curb unions held constitutional when invoked against employer.**

THERE WERE raised eyebrows in Wisconsin last week when the State Supreme Court, deciding its first case on the constitutionality of the new labor relations act (Republican, 1939 model), validated the act by upholding a state labor board order against an employer. Designed to bell the labor cat, the act was intended to curb strikes, picketing, and aggressive union action. Bitterly contested by both A.F.L. and C.I.O. in Wisconsin, the act was promulgated and defended by employer groups, the Wisconsin Council of Agriculture, and the state's Republican, business-man Governor Heil.

The new State Labor Relations Board, appointed by the governor under the act, found that the Century Building Co. of Milwaukee was violating the law and proceeded to issue an order against the firm. When Century Building fought the order on the ground that the whole act was unconstitutional, state labor leaders began to smirk, for that was what they had been contending all along. Thus, it was with divided feelings that they greeted the state Supreme Court decision.

## Launches "Advertising Drive"

Upshot may be, now that the state board has made a pro-labor decision stick, that the campaign of labor organizations in Wisconsin to boycott the state board and use the National Labor Relations Board exclusively (from which they get much slower service) will be put under wraps.

Another interesting development on the Wisconsin labor front has followed a decision handed down last week by a Milwaukee Circuit judge. The state's anti-picketing law prohibits picketing except by striking employees, and only

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laws strikes not approved by a majority of employees. The judge decided that what A.F.L. milk drivers were doing was not picketing a local dairy but rather was advertising the dairy. Hence it was not illegal. So last week's meeting of the Wisconsin Federation of Labor set up official specifications for "advertising campaigns" to apply organizing pressure to non-union employers.

The marchers must not merely walk up and down in front of the employer's place of business, but should march around the block and, if possible, near the establishments of his customers. The greater the mileage, the better the proof that it is not picketing and the better the chance for extra publicity. Old-fashioned picket boards are out. Each marcher wears typical sandwich-man's sheets fore and aft. The signs must shun such conventional picket messages as "John Jones unfair to union labor," but must carry advertising copy which says, in effect, "John Jones does not employ union labor and therefore does not deserve the patronage of union men."

## Worries for Bridges

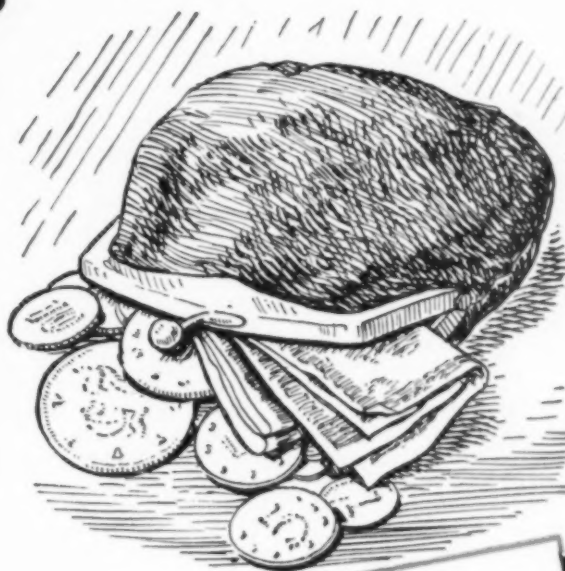
**Seeds of C.I.O. discord are sown with I.L.W.U. decision to invade eastern warehouses.**

HARRY BRIDGES, lean, sharp-nosed director of the C.I.O. in California, banged his gavel wearily late last week and ended a stormy, 11-day convention of his International Longshoremen's & Warehousemen's Union in North Bend, Ore. The sessions thus closed are likely to hold considerable significance to business as the beginning of a serious, large-scale, jurisdictional battle within the C.I.O.

Preoccupied with what the I.L.W.U. would do about Bridges' glamorous, much-publicized "permanent peace" plan for the West Coast waterfront, newspaper accounts mostly ignored what may become far more important — the I.L.W.U.'s decision to move in on the eastern warehouse field, beginning with a raid on the powerful Local 65 of the C.I.O. United Retail & Wholesale Employees' Union in New York.

### Want Harry to Aid Them Too

It has been an open secret on Pacific Coast waterfronts lately that Bridges' warehousemen are tired of playing second fiddle to Harry's first love, the longshoremen who, since he first hove in sight, have won outstanding gains in wages and working conditions. Too many times, say the warehousemen, they've been drafted (and taxed) to help the dock workers out of a jam. It's about time, they argue, that Harry did something for them. So strong was this sentiment during the Ship Clerks' strike last November that it seriously threatened I.L.W.U. solidarity. So Bridges' warehousemen have been



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## Labor and the World's Fair—a Return Engagement



Labor trouble at the New York World's Fair flared up last week, as an altercation between Actors' Equity and the Fair management threatened to shut down a good part of the amusement section. Equity demanded a \$45 weekly wage for the singers and dancers in the patriotic spectacle, "American Jubilee";

the Fair refused to go over \$20, called off the show. (The dancers are thinking the situation over above.) Though a settlement was finally reached, and rehearsals were resumed, the question still remains: Can the 1940 Fair avoid the labor rows which gave the 1939 show a black eye (BW—Jun 17 '39, p. 40)?

urging him to develop their union into a strong national organization. Arthur Osman, head of Local 65 of the United Retail & Wholesale Employees' Union, put a bee in the I.L.W.U. bonnet last August when he was in San Francisco attending the C.I.O. national convention. Osman, bitter foe of Samuel Wolchock, head of the U.R.W.E., persuaded Eugene Paton, J. R. Robinson, and others among Harry's ambitious San Francisco warehouse lieutenants, that Local 65 offered a spring board from which the I.L.W.U., under Bridges, could jump into the national warehouse field. The warehousemen entrained for the Oregon convention of I.L.W.U. late last month determined to force the issue with Bridges.

### Rallying His Forces

The Australian is reluctant to take on the New York warehouse effort because he's in a pretty tight spot himself on the West Coast. The costly Ship Clerks' strike, which now appears to have been a blunder in strategy, was his first waterfront defeat. His inability to wring further concessions from the ship-owners has made his longshoremen dissatisfied. The warehousemen are restless. His "march inland" has fizzled. Harry welcomed the annual convention in Oregon as an opportunity to rally his forces and launch a Coast membership drive.

Osman's invitation to come to New York and take over has been a side issue

with Bridges and probably still is. Nevertheless, he is now definitely committed. While specific plans were worked out behind closed doors of a dingy committee room at North Bend, delegates were allowed to put the I.L.W.U. on record with a resolution which directed officials to "concentrate on organizing the 2,000,000 workers in the wholesaling and distributing field throughout the nation . . . starting in key cities where organization will contribute to the strength of I.L.W.U." So the ambitious West Coast warehouse leaders set forth to conquer, even though their first move may be to raid another C.I.O. group.

Much closer to Bridges' heart was the convention's move to speed up organization work on the West Coast. His plans sailed along smoothly until he announced that the campaign would necessitate a boost in special monthly assessments from 35¢ to 50¢. The resulting protests and turmoil grew so strong that the exasperated longshore leader recessed the session to "give the boys time to cool off." When they reconvened, delegates finally compromised by passing a resolution to be submitted later to a referendum vote of members. They recommended a "yes" vote on "an intensive drive in Alaska, Hawaii and British Columbia (as well as in the three Coast states) to be financed by a 15% increase in the per capita tax."

As delegates boarded homeward-bound

trains last Friday they found that, in addition to their major decisions, they had resolved: (1) to support Bridges' "permanent peace" plan for the waterfront; (2) to condemn sale of 45 West Coast ships (so far) to belligerent nations which, according to "Voice of the Federation," weekly newspaper of the Bridges group, has reduced waterfront employment by 1,268 jobs; (3) to increase representation of the warehousemen on the I.L.W.U. executive board.

## Lack of Skill Feared

**Canada still has oversupply of trained workers, but may be hard put as war business increases.**

OTTAWA—Canadian industry anticipates a shortage of skilled men if the war intensifies and large Allied contracts are placed in this country. It is roughly estimated that 375,000 men still are now unemployed, of whom perhaps 25,000 are skilled. The total compares with about 480,000 a year ago. That means that around 10% of the working population is idle.

In some skilled occupations, particularly the building trades, unemployment is serious. However, the cantonment construction program for the Empire pilot training scheme will result soon in a temporary shortage of carpenters. But that program is expected to be completed rapidly.

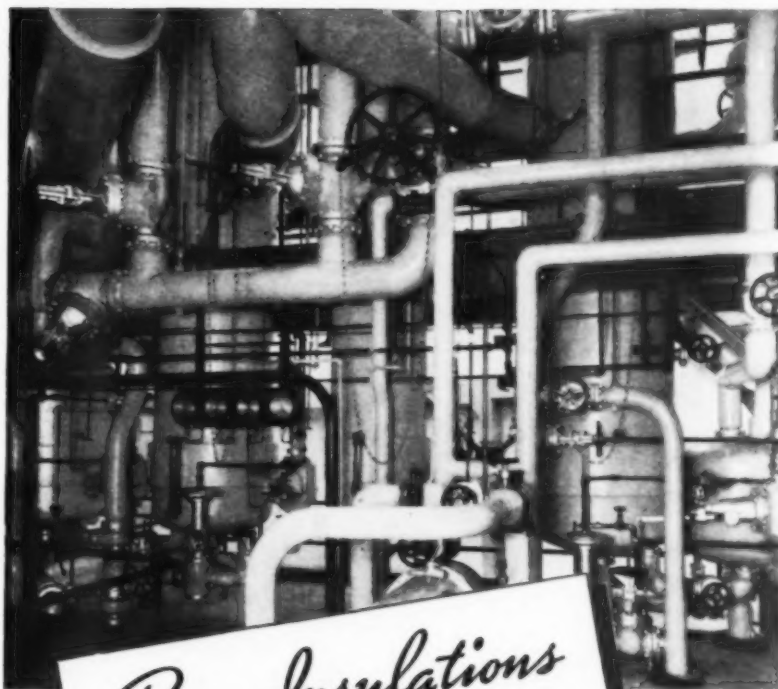
Just where Canadian industry will get skilled men when the relatively meager supply is exhausted isn't clear. It has been the habit to go across the U. S. border for them. That may not work this time, because the shortage will occur in the same lines in which U. S. industry is short (tool and die makers, skilled machinists and metal-workers generally).

Training will be resorted to, although little of it is being done now. In a few cases, unions have not objected when the aircraft industry has taken on men skilled in other trades at lower-than-standard rates and trained them, paying full rates as soon as the training period ends.

### Discuss Retraining of Jobless

One scheme talked about has to do with retraining of workers who have been unemployed so long that they have lost touch with their trades. These men would go to work at regular wages. While brushing up on their former skills, perhaps for a 10-week period, they would have a portion of their income (around 25%) paid by the government. The Dominion and the provinces would get together jointly on this project. Employers don't seem to think a lot of this scheme.

One source of skilled machinists is said to be the Canadian railroads. Many machinists employed there probably have



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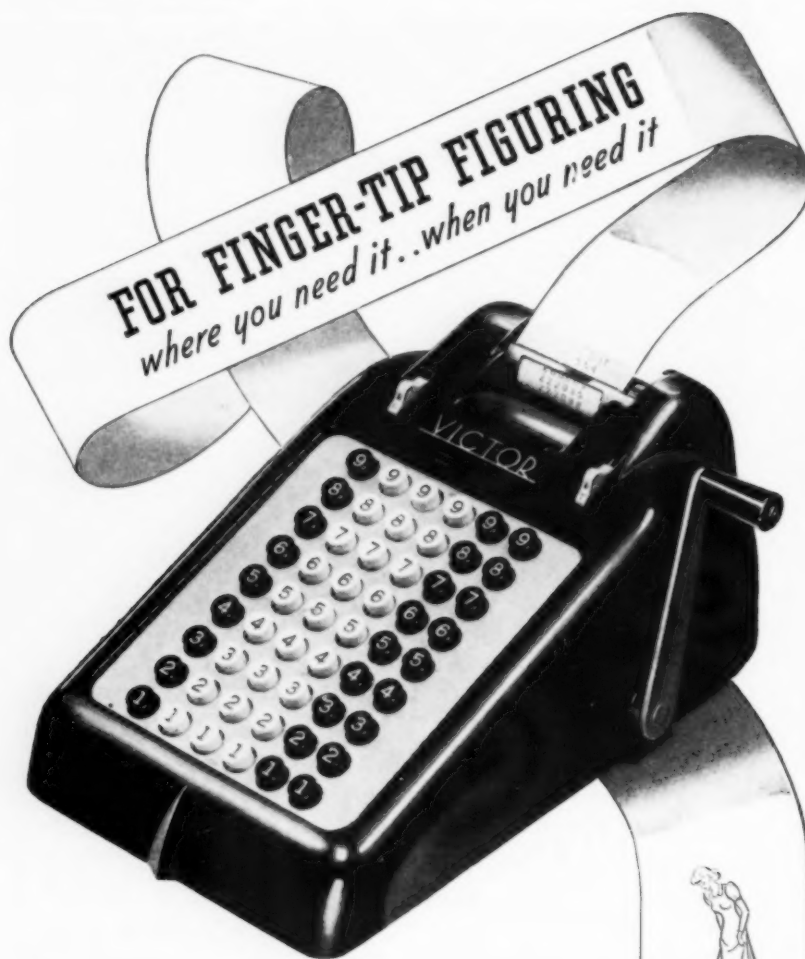
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You'll find this sturdy, streamlined figure-champion worth its nine-pound weight in gold, though it costs but little more than a portable typewriter. Send it to speed slow inventory totals, lend it to break up time-thieving bottle-necks in any department, or carry it away in its attractive traveling case to cut hours from tedious homework.

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been working only two or three days a week. However, they won't leave their jobs because they would lose valuable seniority privileges. If a real crisis came the government would be likely to arrange for the railroads to release temporarily whatever number could be spared.

The Canadian government is exerting efforts to control closely the enlistment in the army of skilled men needed in industry. Every known skilled man who enlists must first secure approval of the Ministry of Labor. Thus far no one has been held back from enlistment, but if a skilled man joins the army and he is more needed in industry, the army discharges him. The chief worry is about skilled men who enlist without disclosing their industrial experience.

### Throttle on Labor Rows

With Canadian industry feeling the impetus of war orders, considerable restlessness is noted in labor ranks. Little trouble has cropped out, but in some cases hourly rates have been jumped 10% or more. The throttle on labor strife, however, is the Industrial Disputes Investigation Act.

For many years this act has been invoked to prevent strikes and lockouts in mines and industries connected with public utilities. Last November it was extended to munitions, war supplies, and defense projects.

The act provides for appointment of a board of conciliation and investigation which reports to the Minister of Labor. If labor is not satisfied, it then may strike, but public opinion usually is mobilized behind the board's findings. Out of over 500 cases handled, only some 35 have resulted in strikes.

Canadians say two other factors contribute to labor peace in the Dominion: (1) Union leadership is more conservative than in the United States; (2) Canadians have a high regard for the law and have never regarded sitdowns as anything but "trespass."

### Aviation "Gold Rush"

ANOTHER LABOR PROBLEM has arisen to plague California. Preaching the gospel of "jobs for all in airplane plants," private schools set up to "equip the unskilled with training" are luring hopefuls into the state and into expensive training courses with the promise that high-paid jobs will be open to their graduates. Advertising of the schools is inspiring what amounts to another mass migration into California from Southern and Central states as desperate job-seekers eagerly jump at the chance for employment in the state's booming aircraft industry.

This new "gold rush" has become so serious that California aircraft manufacturers, the Los Angeles Chamber of Commerce, and state authorities have pooled

their efforts to disillusion the job-seekers on a nationwide scale. First step is the issuance of a leaflet by the L. A. Chamber of Commerce which debunks the promises of the Aviation Training Schools and makes the point that if men are needed by the industry there is already an adequate local labor reserve.

## Hearst Election

WHEN the National Labor Relations Board ruled last week that the Hearst newspapers in Chicago had unlawfully encouraged membership in the A.F.L. Newspaper Commercial Associates, but dismissed the same charge against the A.F.L. Chicago Editorial Association, attention shifted from the C.I.O. Newspaper Guild's 16-month-old picket line to the courts. The board ordered that recognition be withheld from the commercial union unless Hearst management was prepared to grant similar recognition to the Guild. Counsel for the A.F.L. were in a federal court two days later demanding a judicial review of the order.

NLRB's ruling calls for two elections to allow commercial and editorial workers to choose A.F.L. or C.I.O., but not until "the circumstances permit a free choice of representatives unaffected by the respondents' unlawful acts." All strikers are eligible to vote, including those from the *Herald-Examiner*, which has folded in the interval. Thirty-four circulation branch managers are ineligible for voting because, says the Board, they would have lost their jobs meanwhile, Guild or no Guild. Workers hired to replace strikers also cannot vote.

Indicating a lack of recent concessions by Hearst in the recent secret conferences with Guild representatives is the fact that strike activities, suspended for a fortnight to help along negotiations, were actively resumed last Monday. Picketers reappeared with signs saying: "Talk, not Balk, will Settle the Strike."

## Test A.F.L. Power

AMERICAN FEDERATION OF LABOR vs. the Brewery Workers' Union, its wayward affiliate, is being argued in the District of Columbia Court of Appeals this week. The case raises the important question of whether A.F.L. is able to enforce jurisdictional awards. A.F.L. ruled in favor of the Teamsters' Union in the long-standing dispute over who gets the drivers of brewery trucks. The Brewery Workers got an injunction from the D. C. District Court which kept A.F.L. from implementing its award. The Federation is now appealing. A.F.L. position: Such problems are within the family of labor and the courts will only spread confusion if they interfere. Question in the case: Will A.F.L.'s power to apportion and maintain its affiliates' jurisdictions, be taken over by the judiciary?

# Water Cooling?

"Mm... I surely do enjoy a nice, cool drink of water!"

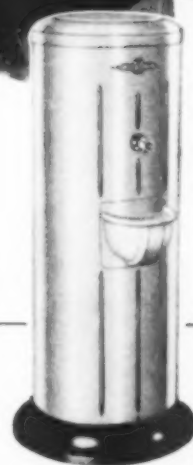
"Yes, having a Frigidaire water cooler handy is mighty good business"



**Increase customer goodwill  
... Employee efficiency...  
Cut cooling costs with**

## FRIGIDAIRE Water Coolers

● Every type of business can profit by installing Frigidaire water coolers. These efficient units step up customer goodwill and employee efficiency by furnishing cool, refreshing water at just right temperatures. They cost little to buy—next to nothing to operate. And do a far superior cooling job than old-fashioned methods. Call in Frigidaire today for free survey. Look for nearest dealer in "Water Cooler" section classified telephone directory. Or write Frigidaire Commercial and Air Conditioning Division, General Motors Sales Corp., Dayton, Ohio.



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Products of the Frigidaire Division of General Motors, world's leading manufacturer of mechanical cooling devices, include: Water Coolers, Unit and Central System Air Conditioners, Milk Coolers, Frosted Food Merchandisers, Beverage Coolers, Refrigeration Equipment for display cases, walk-in and reach-in coolers.

## PRODUCTION

PRODUCTS · PLANT · PROCESSES

### New Economy for Electricity Users

**Small-diameter wires permit twice as many circuits in a conduit, cutting rewiring cost on one job by \$60,000. City regulations being modified accordingly.**

NEXT MONTH the National Fire Protection Association will hold its annual meeting in Atlantic City. High on its agenda is the official approval of certain revisions in the National Electrical Code, approved by the N.F.P.A. Electrical Committee last December, which have been described as a "gift rich in potential savings" to owners of commercial buildings, factories, and better grade homes; a "potential bonanza" to manufacturers, wholesalers, and contractors of electrical wiring; and the "lifting of the last sales barrier" to

manufacturers of the larger electrically powered appliances, such as air conditioning, refrigerators, ranges, what-have-you.

In short, the electrical industry has at long last persuaded national insurance underwriters and local fire and safety authorities that "small diameter wires"—more properly wires with modern "thin-walled insulation" like those used with entire satisfaction in naval and signal work for the past ten years—should be permitted as replacements in existing conduits on branch circuits plus the all-

important additional proviso that the number of same-size wires in a given conduit can be doubled or the same number of wires increased to larger gages, or diameters. Any rewirer will have the choice of practically twice as much juice on an existing circuit, or twice as many circuits in a given conduit.

Although the new revisions will not become fully official until next November, when the American Standards Association meets and makes them "American Standards," progressive local inspectors in a few large cities—Chicago, New Orleans, Portland, Ore., Salt Lake City, and others—have already authorized small diameter wire. There has been no official action in nine cities out of ten, but it will be possible in many of them to secure special permits to rewire circuits according to the new standards before November swings around. New York City is expected to withhold approval until "standards are established to govern approvals."

#### Rubber and Plastics Do It

Basis for all the activity is to be found in the successful development of wires covered with several different kinds of rubber and synthetic plastic of such satisfactory insulating ability that one #14 building wire, for example, which formerly had an all-over diameter including insulation of 0.2 in. now will carry just as much current with just as much safety within an all-over diameter of 0.13 in. Other wire gages thin down in similar proportions. Already there are several brands, notably: (1) Dilec, an improved rubber-insulated wire with a protective overlay of cotton and rayon threads, rolled on rather than braided as formerly—a development of National Electric Products Corp. which it has also licensed to Roebling, U. S. Rubber, and several others; (2) Flamenol, covered with a solid wall of synthetic insulation—developed by General Electric; (4) Hazakrome, also covered with a solid wall of synthetic—Hazard Insulated Wire Works; (5) Laytex, with patented latex rubber and fiber insulation—U. S. Rubber; (6) Latox, also latex and fiber—Simplex Wire & Cable Co.

#### Facilitates Response to Ads

Significance to owners of commercial buildings, factories, and better homes lies in the fact that they will be able to respond economically to the calls for "Adequate Wiring" and "Better Light, Better Sight" which have been so ably advertised and publicized by electrical manufacturers, contractors, dealers, and utilities. Trouble is that many of them have conduits buried deep within walls, floors, and ceilings. To enlarge them so that they would carry "more copper" would mean an expensive tear-out and replacement job. To rewire them with small diameter wires calls only for "fishing" and "pulling." Owners of small, more

### The Grab Harvester Has a Work-Out in Hawaii

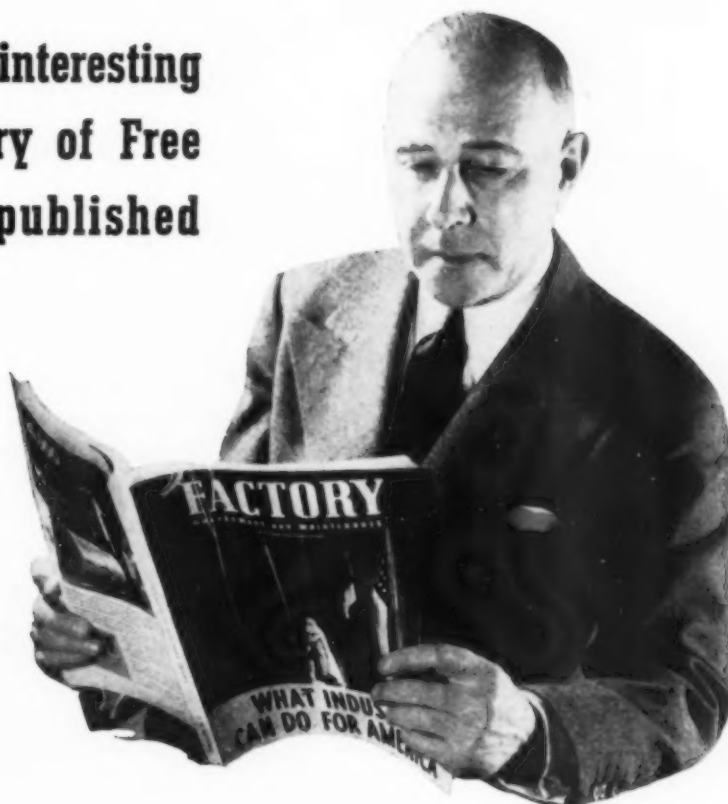


WEST COAST FARMERS, and sugar cane growers in the Southern states, driving toward mechanization of field operations to reduce labor costs, are watching this "grab harvester," used for the first time on the sugar cane crop on the Waialua Plantation near Honolulu, Hawaii. It can collect 30 tons of cane an hour—grabbing the stalks, tearing them loose from the roots, and loading them on waiting

trucks or railroad cars. In Hawaii, where year-round employment is provided for all workers, the machine has been installed, not to reduce labor costs, but to speed up harvesting operations. California agricultural authorities are discussing two possible adaptations of the grab harvester—to handle corn for silage, and move large quantities of prepared feed for livestock.

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their plants and communities. While this project is a part of McGraw-Hill's continuing program to disseminate widely the facts about industry, August FACTORY, for the first time, makes the entire story available, *under one cover*.

## Write For Details Today—

THE complete details of this project, as well as a plan to help you use this issue effectively in your plant or community, are contained in the brochure "The Story of What Industry Can Do For America." At your request, we shall be glad to send you a copy, promptly, without cost or obligation.

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Business Week because it is authentic and because it embraces so accurately all current activities of the times in well condensed and intelligently written articles, thereby enabling me to quickly post myself generally on the major matters that make market trends."

Director of Purchases  
Department Store



**Victoria**  
TOILET TISSUES

VICTORIA PAPER MILLS CO., FULTON, N.Y.

or less inexpensive homes will not be helped, because few of them are equipped with conduits for their circuits.

Significance to manufacturers of the larger electrically powered appliances, lies in the fact that owners of many large apartments, hospitals, office buildings, etc. have not been able to add to the loads already cared for by their circuits. Without more copper, or additional circuits to carry juice for appliances, their manufacturers and agents could not sell them. As an index to the money-savings inherent in the new rewiring provisions, one commercial building was quoted \$70,-

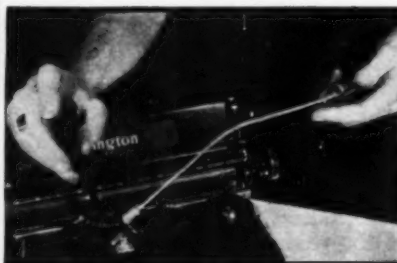
000 for a heavier wiring job on the old basis. Under the new one it will be able to get the job done for around \$10,000. A much smaller job which was going to cost \$407.69 will now cost \$181.36, despite a price for small diameter wire 72% above that of the old wire.

Significance of adequate wiring lies in the fact that undersized wire will not carry the voltages essential to efficient operation of factory motors, building lights, home toasters, etc. Significance of the potential bonanza to electrical manufacturers, wholesalers, contractors, and utilities needs no amplification.

## NEW PRODUCTS

### Flashlight Extension

LOCATING a collar button under the dresser, helping fit a screw driver to an out-of-the-way screw in a typewriter, inspecting the innards of machinery—the Sierra Flashlight Extension puts light



where it will do the most good. Sierra Aircraft Co., Sierra Madre, Calif., makes it in 6-, 12-, 18-, and 30-in. lengths out of enameled copper wire, encased in bendable aluminum alloy tubing, for attachment to practically any flashlight.

### Unpacking Aid

LAST WEEK, there was reported a new gadget which supplies greater ease and cleanliness in the unpacking of furniture shipped in cartons (BW—April 13, p. 44). This is the Screw Head Cutting Cap, developed by Roy Wales, 269 W. 35th St., New York, and consisting simply of a little pressed steel, cylindrical cup with a sharp cutting edge on the open end. When furniture is screwed to its wood supports, the cup surrounds the screw. When the furniture is placed in a carton, each cup makes a visible hump in the fiberboard. To unpack the furniture, strike each hump with a hammer. The cup then cuts a hole in the carton, through which the furniture may be unscrewed from its supports before the carton is cut open. Slit the carton open, and the job is done.

### Corrugated Dispenser

LAST YEAR, E. O. Bulman Mfg. Co., Inc., Grand Rapids, Mich., brought out a corrugated paper dispenser for handling rolls

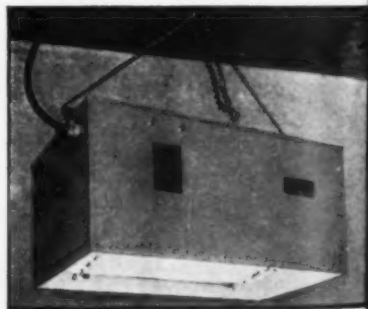
of it up to 36x30 in. (BW—Feb. 18, p. 36). This year, the company is bringing out the Bulman Double Feature Corrugated Paper Dispenser, which has both the conventional tear-off blade and a sliding razor blade for cutting off brittle or tough corrugated paper, including the kinds backed by cloth or tar paper.

### Magne-Gage

INTRODUCED in 1937, the Aminco-Brenner Magne-Gage measures the thickness of coatings on metals by means of magnetism with no effect upon the materials. The 1940 improved model, now being manufactured by American Instrument Co., 8010 Georgia Ave., Silver Spring, Md., will measure: nickel coatings on non-magnetic base metals; non-magnetic metals or organic coatings on magnetic base metals; nickel coatings on iron or steel.

### Color-Matching Lamp

HUNG FROM THE CEILING, the Analyte, new color-matching lamp developed by



Color Analysts, Inc., 610 Bloomfield Ave. Bloomfield, N. J., reproduces glare-free "north daylight" at any time desired. Result is achieved by a combination of tubular incandescent and gaseous-discharge lamps.

### Automatic Lubricator

WHEREVER continuous lubrication is desired on bearings now served by pressure fittings or screw-down grease cups, the Simplex Automatic Lubricator promises to come in. The device, as manufactured

by Simplex Mfg. Co., 1504 Broadway, Detroit, is essentially a small steel sphere with a grease-gun fitting and a  $\frac{1}{2}$ -in. pipe thread connection for insertion in a bearing hole or any one of several adapters. Inside the steel shell is a hollow neoprene ball. When grease or oil is forced into the fitting, the pressure collapses the ball, thus storing energy for continuously forcing lubricant into the bearing as the ball returns to shape.

### Arm-A-Lite

INSTALLED at the rear of the driver's window in a motor car or truck, the



Arm-A-Lite turns on automatically when the driver thrusts out his left arm to signal a stop or a turn, lighting the full length of the arm for other drivers behind and ahead to see. Arm-A-Lite Co., 4031 Goodwin Ave., Los Angeles, which developed it originally for the L. A. Police Department suggests an extra use—the lighting of road maps.

### Flash Concentrator

DESIGNED for the exclusive use of the midget bayonet-base flash bulbs, "smaller than golf balls," which entered the mar-



ket last November, the new Kalart Concentrating Reflector may be used with battery cases of various makes on various cameras. Kalart Co., Inc., 915 Broadway, New York, includes in the new device a patented bulb ejector which should act as insurance against burned fingers.

*"I'm just going down to the postoffice!"*



*"She spends enough time there to get a job as a substitute. Every trip is a Special Delivery."*

*"Three times a week! No wonder she never loses her wave."*

*"Or her nerve. I hope she falls asleep in the Newsreel."*

SUCH outbursts of office wit and envy always followed Miss Wilp's afternoon departures. Miss Wilp was secretary to the office manager, who didn't like to have more than five dollars in stamps in the office at any time. So Miss Wilp visited the postoffice every other day—and sandwiched in shopping, her hairdresser, and social etcetera.

Then the office manager Caught On—and ordered a Pitney-Bowes Postage Meter. Miss Wilp is just a steno on the day shift now.

With a Postage Meter, nobody runs out for postage, or out of postage. The Meter holds any amount you set it for; protects postage from loss, theft and damage; supplies any denomination

needed, for any kind of mail. And Metered Postage has no value except on your business mail.

There are no stamps to stick. The Meter prints postage, seals envelopes cleanly and swiftly, prints a dated postmark and an advertising slogan on the envelope at the same time. Visible counters show postage used and on hand—make postage accounting easy. Metered Mail, already postmarked and cancelled, skips two postoffice operations, can get away faster.

The Pitney-Bowes Meter invariably saves time, cuts postage cost, speeds up mailing. Everybody likes it—but Miss Wilp.

Don't tell us you haven't a Postage Meter in your office? Or rather, do tell us—and we will arrange a demonstration in your office on your own mail. There's a Meter model for every office, large or small. Call our nearest office...

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## The Postage Meter Co.

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# Strange Facts about Fire!

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SAME QUANTITY OF PAPER BURNED IN EACH. FLAMES FROM WOODEN BARREL MUSHROOMED AGAINST 9-FT. CEILING. HOWEVER, WATCHERS COULD PLACE HAND WITHIN 2 FEET OF TOP OF METAL CAN WITHOUT BEING BURNED.

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(FACTS COURTESY NAT. FIRE PROTECTION ASS'N.)



A BIT OF DRY ICE IN A GLASS SHOWS HOW LUX CARBON DIOXIDE EXTINGUISHERS CHOKES BLAZES. GAS SMOTHERS MATCH FLAME!



**3-DIMENSIONAL EFFECT OF LUX EXTINGUISHERS WILL KILL FIRES IN FLAMING LIQUIDS RUNNING FROM BROKEN PIPES. TRY THAT ON MOST EXTINGUISHERS!**

**Don't let fire get a foothold in your plant. Guard every hazard which may cause trouble.**

Especially electrical and flammable liquid blazes. LUX carbon dioxide extinguishers kill these fires in split seconds. A blast of LUX snow-and-gas

chokes off the blaze without wetting, damage, or toxic fumes.

**Do you know about Built-In System protection? Have you seen a LUX portable in action against a tough blaze? These are your weapons against fire! Mail the coupon and find out.**

**THIS COUPON BRINGS FIRE-FIGHTING FACTS**

**Walter Kidde & Company, Inc.  
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Send me "Don't Play With Fire," which describes modern fire-control methods.

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Company.....

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## Coal Mustn't Smoke

Illinois operators, aided by state research, prepare to meet new St. Louis requirements.

THE THREAT had hung over them for so long that Illinois coal operators were actually surprised last week when St. Louis aldermen passed an ordinance intended to let the winter sun shine upon their city (BW—Apr 6'40, p.33). Stripped of its whereases, the new law limits maximum volatile matter in unprocessed coal to 23% and ash content to 12% except for coals burned in stokers. The restrictions are to be enforced as rapidly as an adequate supply of smokeless fuel is on the local market.

St. Louis burns about 6,000,000 tons of coal yearly, some 5,000,000 tons of it from those fields closest to it, which yield by no means the highest-grade Illinois coal. The new ordinance, however, will affect any fuel not burned smokelessly, whether by industrial plants, railroads, or homes. Many large industrial users are in compliance because their plants are designed and equipped to put all of the coal's potential heat into the boiler water instead of sooting up the atmosphere. Railroads are already moaning about six-figure costs of equipping their engines for smokeless combustion. Before next October many a householder will buy a stoker to burn the same old coal without smoke. But stove-heated dwellings, low-rent tenant houses, and other consumers dependent upon hand-fired heating equipment will need smokeless fuels.

### Four Coals in One

Largely because of a smokeless fuel research program undertaken in 1931 by the Illinois State Geological Survey, several major companies in that state's fields are already equipped to handle stoker fuel to meet the St. Louis requirements. First important research finding was that Illinois coal is really four coals in one—vitrain, clarain, durain, fusain—like other "banded" bituminous coals.

The two most significant types—vitrain and durain—appear as shiny and dull streaks. Each has distinct characteristics. The shiny kind, for example, cokes and swells when burned, causing coke trees and blowholes in the fuel bed. More brittle than the rest, it tends to break into finer particles, hence is found in larger proportions in the smaller sizes. A practical application of this discovery is Old Ben Coal Corp.'s method of making a premium grade of stoker fuel for domestic and industrial use that burns with far less smoke than an unblended coal from the same mine. To increase the proportion of dull coal, Old Ben crushes egg size and blends it with what comes small from the screens.

A series of coking studies came next in

# MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

## Stocks Pushed Around by the War

**Britain's "mobilization" of more American security holdings fails to affect market notably. Vulnerability of some shares can be attributed to recent run-ups.**

the state's research program. These researches, and the work of outside engineers, are developing an industry to make coke for domestic heating. Radiant Fuel Corp. has a plant at Old Ben's West Frankfort mine, there uses a special process to produce 75,000 tons annually of its Carbonite coke from the fine and none too easily saleable carbon grade of coal. Near Belleville the Mid-West Smokeless Fuel Corp., which uses the same type ovens and is owned by closely related interests, makes Solarite.

Next step in the Geological Survey's long-term program is scheduled for completion by next heating season. The scientists then expect to demonstrate their commercial-scale press for briquetting fine coal without adding any binder. Illinois coal in prepared sizes is too cheap to stand much cost for adding tar or pitch, too smoky to stand the increased volatility.

### Coal Men Are Optimistic

The state laboratories briquet fine Illinois coal by heating it to 470 deg. Cent. and pressing it under 30,000 lbs. per sq. in. pressure, meanwhile driving off some of the high-volatile component. The resultant briquets burn with little smoke. Chicago, Wilmington & Franklin Coal Co., which daily dumps 400 tons of deduster dust removed from stoker fuel, is working with the state men, is optimistic of commercial results. Meanwhile, another large company is working on plans to build at one of its mines a plant for briquetting, with a small amount of binder if necessary.

So the prospect is that stoker fuel, coke, and briquets from Illinois will soon provide St. Louis sufficient smokeless coal to permit enforcing its anti-smoke ordinance at no intolerable increase in its citizens' fuel bills.

LAST MONDAY MORNING stock traders were faced with the news that England had "mobilized" its nationals' holdings of 117 American securities, the second such mobilization so far undertaken. Yet most prices went up that day and a few issues closed up fairly strikingly. Next day, when it might have been assumed that apprehension over the British move had worn off, the market took the sharpest dip in weeks. The market's contradictory action on those two days could be cited as proving share prices were acting even more contrary than usual. Equally easily it could be argued that British nationalization of stocks—even of some which are very popular in London—was greeted with absolute indifference.

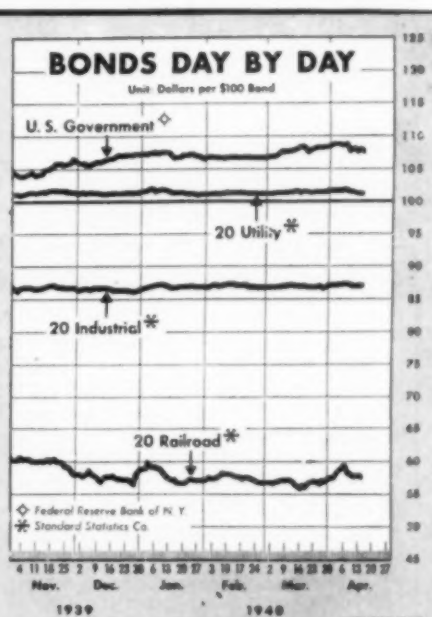
Looking at it another way, there was increased speculation on Tuesday as to the possibility of war in the Balkans and the Near East, and some ascribed the drop in stocks to this. Nevertheless, it must be pointed out that spread of the war could very well be bullish rather than bearish and that, besides, Wall Street for weeks has been fully aware that trouble was brewing in Middle Europe and in Asia Minor.

All in all, it's quite clear that the news from abroad was not all pulling in the same direction as far as stocks are concerned. Perhaps it was no more than a contributing factor in the decline. Certain it is, however, that it brought some heavy liquidation in shares of oil companies which have substantial foreign holdings. Conspicuously weak for this reason were Standard of New Jersey, Socony-Vacuum, Texas Corp., and Standard of California.

### Some Shares Act Like Airpockets

All other factors aside, a good bit of the difficulty will have to be ascribed to the technical position of the market itself. Shares like those of the paper companies, aircraft manufacturers, shipbuilding concerns, and airlines have had run-ups lately that are little short of spectacular. For that reason, they necessarily were vulnerable to selling and acted like airpockets when weakness developed toward the middle of Tuesday's session.

That Britain's "mobilization" order had no startling effect may be judged from the following tabulation of prices of representative issues among those named



(April 13 was the last trading session prior to the order, and April 15 and 16 were those immediately following):

	Apr. 13	Apr. 15	Apr. 16
Air Reduction .....	50½	49¾	48½
Amer. Car & Fdry....	27	27¼	25½
Bethlehem Steel .....	80¾	80¾	79½
Borden .....	23½	23½	23¼
Celotex .....	11	10½	10½
Ches. & Ohio.....	39¾	39¼	39½
Chrysler .....	88	87	86½
Consol. Oil .....	7¾	7½	7½
Deere & Co. ....	22¾	22¾	22¼
Fairbanks Morse .....	47¾	48¼	47
First Nat'l Stores.....	44¾	44	43½
Gen'l Electric .....	38½	38	37½
General Foods .....	48¾	49½	48¼
Int. Bus. Machine....	176½	177	175
Int'l Harvester .....	57¼	56	55½
Kroger Grocery .....	34	33½	33½
Lone Star Cement.....	43¾	44	43½
May Dept. Stores.....	52½	51¼	51
National Lead .....	21¼	21¼	21¼
N. Y. Central.....	16¾	16¾	16¼
Pacific G. & E.....	34¾	34¾	34
Packard Motor .....	3¾	3¾	3¾
Philip Morris .....	94½	96	96
Pullman .....	26	26¼	25¾
Schenley .....	13¾	13¾	13
Tidewater Assoc. ....	10½	10½	10½
U. S. Rubber.....	35¾	35¾	34¾
U. S. Steel.....	61¾	62	60¾
Western Union .....	23¾	23½	23
Wilson & Co. ....	6	6½	6½

Britain now will try to work off securities from these 117 issues as smoothly as it did in the 60 issues involved in the first mobilization order. After this operation, financial London believes John Bull will have sold perhaps \$500,000,000 out of his holdings of \$700,000,000 of readily marketable dollar securities.

## Stockholders Lose

**ICC rules New Haven road's preferred and common shares valueless. Erie fares better.**

CORPORATE reorganizations are tough on stockholders. Very conscious of that fact are holders of common shares of the New York, New Haven & Hartford and the Erie railroads. These two roads have just been handed reorganization plans by the Interstate Commerce Commission, and the plans call for a pretty thorough financial overhauling.

Par value of the preferred and common stocks of the New York, New Haven & Hartford Railroad is \$206,155,300. In 1929, the stock market assigned to them the optimistic value of \$270,450,000, for in that year the common sold at a top of \$132.50 a share and the preferred at \$134.75. But today the commission says they aren't worth a red cent.

The ICC has issued a "final" plan of reorganization for the New Haven in which the preferred and common stockholders are left out entirely. (It's a type of plan which has become very familiar since the commission adopted the theory that railroads in trouble should be recapitalized so as to withstand the worst which can be foreseen in the light of experience over the last decade.) The ICC would slash total capitalization from

\$464,833,806 to \$365,000,000 and would cut fixed charges from \$19,531,323 to \$6,232,331.

Back in the days when railway consolidation plans were all the rage, the Pennsylvania Railroad bought 319,925 shares of New Haven common stock or about 15% of the issue. Under the commission's four-trunk-line plan for Eastern consolidation in 1932, the New England territory was not included, and the Pennsy was told that to participate it would have to divest itself of its holdings in the New Haven. It's safe to say that when the commission issued that order it hardly anticipated the means by which that divestment would ultimately come about.

Pennroad Corp., which was set up by the Pennsy in 1929 as an investment company and which was more or less of an affiliate up until about a year ago, is the second largest holder in the New Haven. It is faced with writing off 148,800 shares of common and 1,200 of preferred.

### More Common Dropped

Incidentally, the New Haven itself is in the throes of losing two roads which are going through the wringer. Present indications are that it will drop its \$13,105,186 investment in 291,600 common shares (just over 50%) of New York, Ontario & Western. Moreover, the Boston & Maine's plan of reorganization makes no allowance for its common stock of which the New Haven holds 219,189 shares.

Holders of the New Haven's senior securities are scaled down much more sharply under the ICC's reorganization plan than under that which they themselves had submitted. They asked for \$183,303,610 of fixed interest obligations and the commission allots them only \$137,059,266; they sought to limit contingent interest debt to \$82,283,125 and the ICC plan calls for \$88,786,567. All told the commission sets up a debt of \$225,845,833 while the bondholders' plan called for \$265,586,735.

### Up to Federal Court Now

Recourse of dissatisfied groups of security holders is to Federal Judge Carroll C. Hincks of New Haven, Conn., who now is called upon to approve the ICC plan. Upon his approval, the next step would be for trustees to solicit assents in order that the court might declare the plan operative and release the road from the reorganization proceedings which were entered some five years ago.

Shareholders of the Erie (Chesapeake & Ohio owns about 55% of the common) come off a bit better than those of the New Haven. One share of common stock in the reorganized road will be exchanged for each five shares of the present preferred and common stock. In addition, they will have the right to buy 1½ shares of the new common for each

## Stereophonic Recording Makes Its First Public Bow



ON two successive evenings last week, Bell Telephone Laboratories filled Carnegie Hall, New York, with guests to hear the first "stereophonic recordings" of music and dramatics under the alert ears of Dr. Harvey Fletcher, Bell's physical research director (left) and Dr. Leopold Stokowski, orchestra conductor, at the controls. Stereophonic, or "three-dimensional," sound effects are recorded from three positions on three

sound tracks on a film (right) and reproduced through three loudspeakers in similar positions. The fourth sound track, at the far right, is the "control," responsible for blending tones from the other three, lifting voices above accompaniments, and swelling music from softest pianissimo to the loudest fortissimo ever heard in Carnegie Hall. No commercial applications yet, but movie and radio interests will be investigating.

share of the present stock now held at \$37.17 a share. As the C. & O. has almost 1,200,000 shares of Erie common, it would receive about 250,000 shares in the new road and would be privileged to buy about 1,500,000 more. Exercising the purchase option would cost C. & O. over \$55,000,000, but it would need only to buy about two-thirds this much stock (at a cost of \$38,000,000) to retain control.

The commission's plan calls for reduction of Erie's capitalization from \$490,953,630 to \$332,692,250. Fixed-interest debt would make up \$138,289,887 of this capitalization, and contingent-interest debt would be \$52,987,392. Fixed charges of the road and its subsidiaries would be slashed from \$14,368,842 to \$5,628,245 annually.

## Perennial Bankrupt

**BANKRUPTCY** has become a habit for the Minneapolis & St. Louis Railway. For 17 years the road has been in the hands of the courts, and no end is in sight. In fact, on Monday of this week, the Interstate Commerce Commission turned down a plan for reorganization, the third plan since 1934 that has been sidetracked one way or another. Moreover, the property of the road has been unsuccessfully offered for sale no less than 28 times since it went into receivership in 1923.

The ICC turned down the latest plan because it provided that the property be split into two parts, with the primary lines and secondary lines to be operated by separate companies. The commission felt that it ran counter to its plan for rail consolidations, and that it might encourage similar moves. However, this splitup was proposed by the Reconstruction Finance Corp., as a prerequisite to the road's obtaining a \$5,000,000 loan. No reason was given for RFC's terms.

## COMMODITIES

### Hides Show Gains

**War's influence on imports and signs of pickup in shoe industry are reflected in firmer prices.**

**HIDE AND LEATHER** interests had worked themselves into a mildly optimistic frame of mind prior to the time that Europe's war took its more active turn. With the invasion of Norway, prices turned firmer and fair gains have since been chalked up.

Behind the improvement is a combination of factors. For one thing, there are signs of moderately increased activity in the United States' shoe factories. For another, there is heightened uncertainty over the prospects for hide imports. Finally, domestic slaughter of cattle so far this year has been rather substan-



To give its employees some idea of the company's tax responsibilities, the Toledo Scale Co. recently fixed up this imposing display of all the tax reports it was required to make,

put it on exhibit in the plant. Employees were so impressed that the display was later moved to the company's main reception room, so salesmen and visitors could see it too.

tially below the comparable 1939 period, and this had aided shoe manufacturers in clearing up the somewhat topheavy inventory situation of a few months ago.

There have been signs that the shoe manufacturers recently have been more interested in buying leather. This the trade takes as evidence that they have worked off much of the leather supply accumulated last fall. And, with tanners cautious, total hide supplies now are equivalent to only about seven months' consumptive needs.

Whether this country will be able to get the 20% to 25% of requirements which normally are imported remains to be seen. Since the outbreak of war, imports of calf skins (primarily from Scandinavia, the Baltic countries, Holland, and France) have been adversely affected. Imports of kid skins (from India and South America), of sheep and lamb skins (from Australia and New Zealand), and of cattle hides (from the Argentine) have held up well. Still, imports from India and Australia are rendered uncertain by the war needs of Great Britain. In Argentina, European nations have been good buyers of hides in recent months, which may reduce supplies available for shipment to the United States. Germany, on the other hand, formerly a big customer, is now cut off from the Argentine market.

Shoe production during the first quarter of 1940 ran about 7% below the corresponding period last year. That, however, isn't too disappointing, because the comparison is with the second best quarter in the history of the industry.

Moreover, the trade expects April production to show an improvement. Retail sales during the spring season were somewhat disappointing, primarily due to the early Easter and unusually severe weather.

### Rubber Supplies Rise

**SHIPPING DIFFICULTIES** may develop as the war proceeds, but so far everything points to ample supplies of rubber for American manufacturers. In three of the last four months, the United States has imported substantially more than it has consumed notwithstanding the continued high rate of consumption. Supplies on hand have risen from 118,535 long tons at the end of November to 149,678 at the end of March, and are now equivalent to about three months' supply at the recent rate of consumption. Moreover, rubber afloat which is destined for American ports totals the near-record figure of 113,619 long tons.

### Copper Exports Dip

**RELUCTANCE** of American copper producers to sell to Russia and Japan long ago gave promise of materially reducing exports of the red metal (*BW*—Jan 27 '40, p. 54), and the statistics now are beginning to reflect the situation. Exports of copper from American mines averaged nearly 16,000 tons a month for the last half of 1939, and totaled 13,117 in January of this year. But in February the figure was down to 9,594 tons, and the March figure shows a further dip to 7,517.

## BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

### Tides of War Converge on Danube

**Balkan economic prize, vital to both belligerents, holds world attention while battle lines are forming in Scandinavia. Britain's hand seen as Rumania stiffens.**

AS THE NEW Scandinavian war front assumes definite boundaries, world attention shifts to the Balkans. Here another group of small and frightened nations seeks to protect its independence, its economy, its neutrality—and at the same time to get as much of the going war business as possible.

The beautiful Blue Danube, Germany's highway for petroleum products and food from the southeast, now becomes a vital objective for both belligerents. Nerve vibrations neared the panic pitch Monday when Rumania announced new restrictions unfavorable to the Reich. The decrees banned temporarily all exports of wheat to Germany (and other nations), ordered steps to conserve oil, coal and wood supplies for Rumania's army and railroads. Assurance was hastily given the Reich that the moves were not aimed at her, but were domestic necessities. Further, Rumania and Yugoslavia announced intensified police control of the Danube to guard against sabotaging of shipments to Germany.

Nevertheless, swivel-chair strategists see in the stiffening attitude toward Germany a reflection of British power moves against Hitler's Norwegian adventure. Despite fiery Fascist oratory and Italian naval maneuvers, there are strong doubts about what Mussolini will do for his Berlin friend. Italy must get 80% of her imported raw materials through the Allied slip-knots at Suez and Gibraltar. Stalin, too, is thinking of himself even though he indulges in ostentatious shadow boxing with his negligible naval forces in the Black Sea.

### Reich vs. Dominion

**Canadian wheat exports may become government monopoly as result of war in Scandinavia.**

OTTAWA (*Business Week Bureau*)—Watch for some tightening of Canada's war controls as a result of German seizures in Denmark and Norway. First important moves may involve wheat, bacon, dairy products.

Possible, but not certain, is government handling of all future Canadian ex-

port wheat sales through the Wheat Board. This move is considered because of the definite loss of the Scandinavian market. Since the crop year began (in August) Norway has bought over 5,000,000 bu. in Winnipeg, Sweden nearly 4,000,000, Denmark more than 2,000,000.

### Matching Buyer and Seller

As this price stimulant is now lost, western growers see a possible advantage from a government monopoly in export. Outcome may depend on the British Cereal Board's attitude. Early in the war the Board's head, James Rank, was suspected of withholding Canadian orders in an effort to depress prices. Scandinavian demand now being out, Ottawa is considering whether to match the one principal buyer with a single selling agency.

Consolidation of exports under the Wheat Board would cause little disturbance. It already owns the bulk of the 310,000,000 bu. of Canadian wheat in storage.

Elimination of Denmark's bacon and

dairy product exports to Britain is something else again. It should bring heavier demands on Canadian production. Canada is now supplying Britain with 3,600,000 lb. of bacon weekly. Bacon Board authorities believe this can be heavily increased. One method immediately available would be the removal of restrictions on Canadian imports of U.S. dressed hogs, thereby freeing Canadian hogs for the British. Limitations placed on U.S. hogs in February were largely election gestures to Canadian farm voters and are likely to be dropped or modified. It is claimed that by opening the gate to cheap and plentiful U.S. pork for dominion requirements, Canada could double bacon quotas for Britain.

### Smelters in Battle Area

Normally Canada isn't a heavy exporter of butter, but at present there are considerable stocks available for Britain. Hitler's grab of Denmark is likely to stimulate Canada's output of both butter and eggs.

Status of Canadian nickel and aluminum smelting plants in Norway is still in doubt. Aluminum, Ltd. (Mellon-controlled), partly owns three smelters in Norway—at Tyssedal, Eydehavn, Heyanger. These are in the fighting zone. However, their operation depended on imported bauxite ore which the British blockade probably has cut off.

Falconbridge Nickel Co. has a plant at Kristiansand, the scene of severe bombings. But this plant used matte (a crude mixture of sulphides formed in smelting) shipped from the company's Canadian mines. Without matte, the smelter in Norway is useless. Falconbridge already has arranged for processing its Canadian

### Mexican Oil Still Boils



U. S. Secretary of State Hull's request that Mexico arbitrate her quarrel with oil companies over confiscated ("expropriated") properties, prompted this loyalty demonstration

in Mexico City. Workers paraded: President Cardenas took bows from his balcony. The big sign declares friendship for U. S. people, but not for "international imperialists."

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ore at smelters of the International Nickel Co. in Canada. The contract is on a toll basis, for the duration of the war.

Canadian business gets little satisfaction out of the new war supply ministry. It is more of a bow to the public than a useful reality. Minister Howe emphatically declined to release his Transport Department (especially his own fledgeling Trans-Canada Airways) to any foster parent, so war supply is merely added to transport under his administration. The War Supply Board has been translated into a department of the federal civil service. It has lost its independent head, Ford's Wallace Campbell, who returns to the manufacture of automobiles.

### Not What They Had in Mind

With this submersion of the War Supply Board, it can no longer command the services of business executives because they would have to function as civil servants. During its life, the Campbell board placed \$150,000,000 in war orders. The new war supply ministry isn't what business men had envisioned.

Main business of the new parliament (meeting May 16) will be budgetary. Canada faces her first billion dollar budget. It divides 50-50 between ordinary and war appropriations. Prime Minister King's visit to the United States is without official significance. It is an annual rest cure in the South with the usual courtesies calls in Washington.

### Germany Weighs Gain

Norway promises new supplies but needs some, too. Iron problem unsolved by invasion.

BERLIN (Cable)—As the Balkan caldron comes to a boil, the Nazi government continues to stress results of its spectacular move into Scandinavia. This drive makes sudden and violent changes in the economic balance of the warring nations.

Overnight, it is claimed, territory with 12,000,000 population was transferred from neutral to the Reich-controlled continental bloc. While this expansion adds to resources available to Germany, it also carries liabilities. She must now supply grain, fodder and industrial raw materials to the occupied countries. Also the Reich has foregone the advantage of obtaining quantities of overseas products which had been slipping through Scandinavia. This amounts, in effect, to closing entirely what was a half-open German door in the north.

Berlin finds consolation in the conviction that the Allies (particularly Britain) are cut-off from their nearest and most important sources of timber, paper, butter, bacon, eggs.

Swedish iron ore was the principal cause of the German attack. The Reich



Arnold Genthe

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imported 22,000,000 tons of iron ore in 1938. In pre-war years, one-third of Germany's ore from Sweden went via the Gulf of Bothnia and two-thirds via Narvik. The Narvik blockade now brings the Reich face to face with the problem of shifting the bulk of Swedish shipments to the Baltic during the ice-free season which starts soon. Main handicap is the inadequate capacity of the railroad from the ore fields to the Swedish Bothnian port of Lulea.

#### Transfer of Two-Thirds of Ounce

Danish butter, bacon, beef and eggs will furnish valuable additions to the German food supplies. But if all the butter formerly shipped to Britain were equally distributed among the 80,000,000 Germans it would only add two-thirds of an ounce to the seven ounces of weekly ration. In view of the dependence of Danish livestock on imported feeds (unobtainable in Germany or Russia) there probably will be a reduction in the milk yield of Danish dairy herds and in the number of Danish hogs.

Norway's principle asset for the Reich's economy is its highly-developed electro-metallurgical industry. The output in 1938 was 30,000 tons of aluminum, nickel, molybdenum and other alloys. However, this production can con-

tinue only until the present stocks of imported raw materials are exhausted. Norwegian fisheries are important but operations probably will be disturbed by naval activity.

### Soviet Arteries Thaw

**Vital river systems to play key part in economic war as soon as they are free from ice.**

Moscow (Cable) — Essential to the transport of Soviet oil and grain from the outermost stretches of Southern European Russia are two river systems. One, the 2,323-mile long Volga, drains more than half a million square miles and carries such a volume of water in spring flood that the level of the Caspian Sea is noticeably raised.

That the Volga was about to flood again was evident this week when two caravans of lighters carrying 814,000 tons of oil entered the delta of the Volga at Astrakhan, reported the river was ice-free 300 mi. upstream to Stalingrad. Still unnavigable, however, are the stretches from Stalingrad to Kazan to Gorki to Moscow. The Volga is a critical factor in the transport of oil from Baku, a seaport 400 miles south of Astrakhan on the Caspian and at the edge of one of the richest oil fields in the world—a field capable of producing more than 20 times as much oil per year as Soviet and Russian engineers hope to recover from the captured Polish wells.

#### Water Transport Expands

The other essential river system, the Dnieper, lies west of the Volga, feeds into the Black Sea instead of the Caspian, and was in no better shape for navigation this week. Important to Russian-German aspirations is the fact that the Pripyat, a tributary of the Dnieper, passes within canal-digging distance of the Bug, a river which joins the Vistula at Warsaw. *Pravda*, official Communist organ, promised this week that the Bug-Dnieper canal would be opened April 15, joining the Black Sea with the Baltic. Russian officialdom reported that 25 new boat stations have been built on the Bug and Pripyat.

Other water transport assertions for 1940: 6,000 barges and 2,000 steamers will ply internal waterways; by sea alone Russian boats will carry 5,000,000 tons of freight and 3,000,000 passengers; on the northern sea route 100 freighters convoyed by 13 icebreakers will carry 158,000 tons of freight this year, 12% more than 1939. Most freight on the northern route will go to Siberian river mouths; a small portion will be through traffic between Vladivostok and Murmansk.

Moscow announced that between April 5 and April 10 Russian farmers planted 5,800 sq. mi. of 1940 crops and that on

### Japan Opens Air Route



JAPAN's extreme secretiveness in things aeronautical has led to the belief (even in Japan) that the long-projected South Sea Clipper service has actually been in operation for years—mainly for the benefit of government officials and navy officers. Underlying this belief was the strategic significance of an air route which cuts almost across American-owned Guam. Now it is plain enough that the Japanese were faster in planning the airline than in getting it started. After three years of preparation, the first scheduled flight was completed this March. Posters (above), distributed by the Japan Airways Co. indicate that the service is available to the general public. The clippers carry passengers, mail and express. Flights are on a three-times-a-month schedule, but the service will be more frequent when additional planes are completed by the Kawanishi Aircraft Co., now heavily weighed down with army and navy orders. Opening of the South Sea Line foreshadows cooperation with American-operated Pacific air services.

### German Student



Wide World

Dr. Gerhardt Alois Westrick, German Supreme Court lawyer, was brushing up on his American history last week as he took over the newly-created position of Commercial Counselor to the German Embassy in Washington. Acting on orders from Berlin, his job will be to start smoothing out a problem that may not materialize for a long time—German-American trade relations after the war in Europe is over.

April 10 a total of 10,600 sq. mi. has been planted, 5% of 1940's planned production.

In the Urals and the basin of the Dnieper the government is spending large sums to improve coal miners' living conditions and raise their wages in order to increase production. A decree signed by Stalin at Molotov increased basic wages for skilled workers and the salaries of engineers and technical men. Sample increases: In a mine with a "very satisfactory" daily production of 300 tons the mine cost was raised from 1200 to 1400 rubles

per month, the foreman from 700 to 950. More than a thousand miles east of the Caspian, another Soviet transport project made news. A 150-mile-long automobile pass through the Pamir mountains was completed by collective farmers, otherwise idle for the winter.

## British Lose a Market

**But Scandinavian trade may be made up elsewhere. Newsprint ration in Isles is halved.**

LONDON (Cable)—Cessation of trade with Scandinavia means a loss of market for about 9,000,000 tons of British exports, on the basis of 1938 figures. But the strong demand for English products in the Mediterranean region and elsewhere, including South America, will probably take up any slack in the market for materials the British are able to produce.

On the other end of the line, the British newsprint industry has been crippled by the loss of imports from the Northern countries. The newsprint ration in the British Isles has been halved, dropping from 60% of the pre-war level to 30%. While Scandinavia supplied only 2,500,000 tons of newsprint in 1938, 27% of total newsprint imports, it also supplied important quantities of pulp for the British newsprint industry.

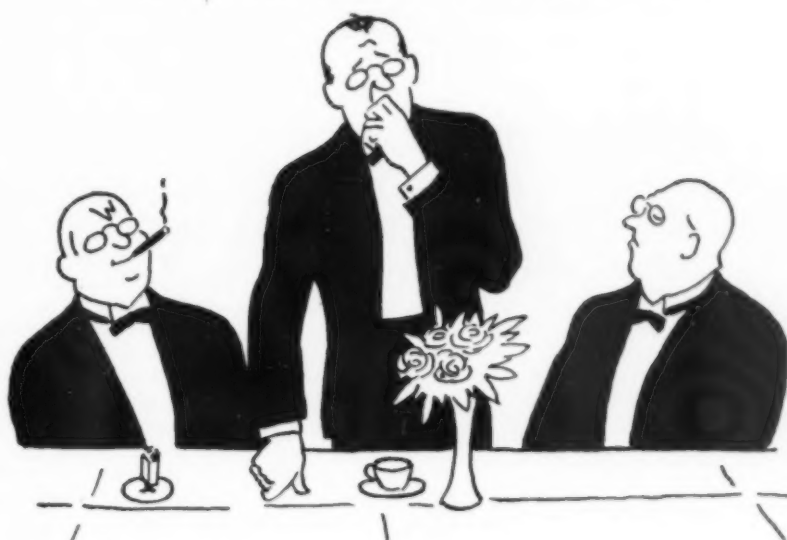
Canada and Newfoundland may be able to supply the rationed French and British requirements—if the shipping space can be spared. The Allied shipping position may have been improved by the Scandinavian thrust, but the point is still obscure. More than 5,000,000 tons of ships plus an important percentage of the world's tanker fleet were left without home ports when the Skagerrak, Kattegat, and the Norwegian coast became battlegrounds.

## Argentina Curbs Pound Buying

The Argentine exchange control has prohibited the purchase of free sterling in New York to buy Argentine goods. The Argentine control has established buying price for sterling offers at 13.50 pesos and sells sterling for 15 pesos for one group of commodities, 17 pesos for another. British-owned railroads in the Argentine are permitted to buy sterling at 16 pesos. Since the Argentine peso has slipped in value along with the pound, the railroads have been able lately to pay less than 16 pesos in the New York market—thus shutting off the profit the Argentine control has been making because of the spread between the official buying and selling prices.

In London, official opinion seems to be against complete blocking of the pound at this stage of the game. While some circles consider the pound blocked for all practical purposes, it still has some mobility of which it might be deprived.

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THE uncomfortable gentleman in the picture is about to make a business speech. A bad one.

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For Joe simply doesn't have the facts. And when he comes to figures or names or dates, he's going to stumble. Badly.

Of course, the shame of it is that Joe needn't be in this kind of a fix at all. At his finger-tips he could have had more business facts than a hundred speeches would require!

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## WAR BUSINESS

REGULATIONS • WAR ORDERS • TRADE CONDITIONS

### Americans in Scandinavia

Many U. S. firms have established branches in the three northern kingdoms, particularly since the World War. Our total investment there, \$221,000,000.

ASSEMBLY plants of Ford and General Motors are within range of guns of German warships in Copenhagen harbor. Close to Stavanger, where British and German planes fight over Norway, is the Electric Furnace Products Co., Ltd., which is a subsidiary of Union Carbide & Carbon Corp. The Hoyang Works, the A/S Hangvik Smelter, and the A/S Kemsarvik, the biggest Norwegian producers of aluminum, are American-controlled.

The German tide in Scandinavia licks around the edges of \$41,000,000 invested by Americans in Norwegian and Danish business enterprises, \$26,000,000 invested in Swedish industry. Including Scandinavian government bond issues held by Americans, the United States has a total economic interest of \$221,000,000 in the three northern kingdoms.

Comparatively, a \$221,000,000 foreign investment is small change. On Jan. 1, 1931, the total long-term American investments abroad had reached a high of \$15,170,028,000. When the Swedish

Match Trust collapsed in 1932 it carried with it \$250,000,000 floated in the United States in debentures and participating debentures.

However, these investments represent some of the few remaining American experiments in foreign economic penetration that have not been diverted toward war efforts as in England and France, strait-jacketed by "Autarchy" as in Germany, or hampered by government instability and bond defaults as in many Latin American countries.

#### It Began Long Ago

Long before American billions had begun to pour into post-war investments abroad, the movement to establish branch factories, to gain concessions, and to grant licensing agreements was well under way in Scandinavia. In 1896, Svenska Petroleum A/B (re-organized in 1934), a subsidiary of Standard Oil of New Jersey, was organized in Sweden. Vacuum Oil established a branch in Sweden in 1900; Singer Sewing Machine in

1901; International Harvester, 1904; Remington Typewriter Co., 1908.

During the same period, Scandinavian political stability was assured for the next three or four decades through the peaceable separation of Norway from Sweden as an independent kingdom. King Oscar of Sweden, predecessor of Gustav V, renounced his right to the Norwegian throne in 1905 and Prince Charles of Denmark became King Haakon VII of Norway.

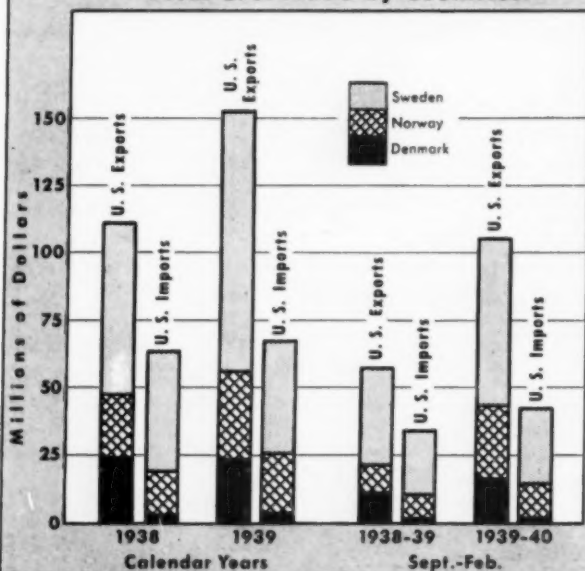
#### Companies' Activity Widens

At the end of the World War, the drive to compete with the Scandinavians on their home grounds widened out. In 1919, the Texas Co. organized a Swedish branch; both United Artists and Fisk Rubber Co. established Swedish organizations in 1921; Ford Motor entered the field in 1924, three years before General Motors organized a Swedish branch. The Ford assembly plant at Copenhagen sold to both Denmark and Norway and the assembly plant in Stockholm has Sweden as a sales territory. Quaker Oats set up a subsidiary under Swedish share-holding company regulations in 1925; Goodyear Tire & Rubber Co. in 1926. Union Carbide & Carbon bought a Norwegian carbide, ferrosilicon, and ferromanganese works in 1929, several years after it had acquired a Norwegian water-power concession.

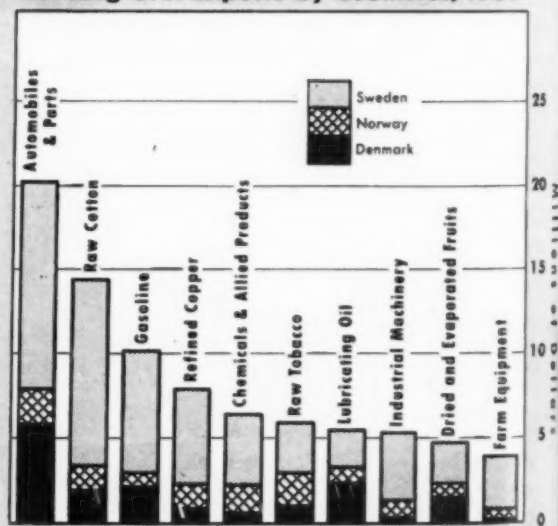
The Colgate-Palmolive-Peet Co. followed the organization of a subsidiary in 1928 with a national advertising campaign that astonished the Swedes. The Swedish Western Electric Co. was established in 1929. Today a Swedish rubber cooperative is building a plant at Norrköping, a Baltic seaport, under

### A WAR CASUALTY—U. S.-SCANDINAVIAN TRADE

Total U. S. Trade by Countries



Leading U. S. Exports by Countries, 1939



Data: U. S. Department of Commerce.

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licensing agreements with an American rubber company.

At least 35 American companies have considerable interests—more than commercial agents—in Sweden. The American investment in Norway is of approximately the same size as that in Sweden, but may represent the activities of a smaller number of companies. The Danish manufacturing investments are half the size of the Swedish or Norwegian.

### U. S. Studies Safeguards

The International Harvester plant at Norrköping, Sweden, employed an average of 500 men in 1938; the Swedish assembly plant of General Motors had a payroll of 500 to 900 workers during the same year. The success of the Ford assembly plant at Stockholm is attested by the dividends declared on the Swedish stock: 1934—7%; 1935—8%; 1936—10%; 1937—12%.

The chance of safeguarding American investments with Scandinavian funds impounded in the United States by White House orders is being considered by the Treasury Department. Secretary Morgenthau stated early this week. The freezing of the bank balances was the first step, he indicated, toward insurance against potential American losses either in bond investments or manufacturing interests. The entire matter is in the study stage.

### Plane Impasse Ended

Allies begin taking U. S. aircraft on Morgenthau's terms as result of Hitler's thrust.

WASHINGTON (Business Week Bureau)—Blitzkrieg in Scandinavia threw wide open the dawdling aircraft export situation. The Allied purchasing commission, not needing airplanes at the moment and knowing that the longer it waited the better ships it could buy, had not been pushing very hard the negotiations aimed at putting into effect the new liberal release policy.

Chief point at issue, paradoxically, was airplanes that haven't been invented yet. When the Army agreed to waive immediate delivery on its orders to give quick service to the Allies, it specified that when it does take delivery it is to get the improved models which, in the normal course, will then be available. But developing new models and tooling up for them costs money. Treasury Secretary Morgenthau, as United States coordinator of Allied purchasing, insisted the foreigners pay the cost, which raised objections.

### Allies Get Powerful Ships

Then, a few days before Germany entered Denmark it became obvious something was going to break, and the purchasing commission turned the heat on.

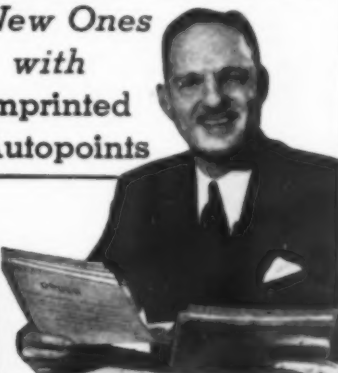
It accepted Secretary Morgenthau's formula on development costs, and in quick succession three new pursuit models and two attack bombers were released for export.

All three of the pursuit jobs break the 400 m.p.h. par which is the current dividing line between modern and obsolescent warcraft. Most spectacular of them is Lockheed's P-38, a two-engine ship with a speed well above 400, which has been considered the fastest fighting ship in the world. Bell's P-39 is the much-publicized Aircobra—the snaky single-motor job with the wings half way back the fuselage. The Curtiss-Wright P-40D, also single-motored, is a modernized version of the P-40, which started the commotion about releases. It has a jazzed-up engine and such a streamlined cockpit that it needs an especially small pilot to fly it.

The bombers, Martin's two-engine F-4 and a Douglas ship, are improvements on existing models.

All three pursuits use Allison liquid-cooled engines, and the speed with which General Motors expands its Allison Division's output from 300 to 600 units a month will be of critical importance. It may not take long, since it is understood that subcontracting rather than plant expansion is contemplated. Extensive use will probably be made of Cadillac, whose workers are experienced on precision engines.

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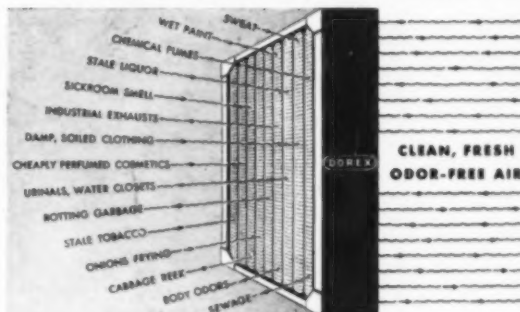
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## THE WAR WEEK IN BUSINESS

### At Home

#### Shipping

THE ECONOMIC IMPLICATIONS to Americans of active war on a northern front became more apparent this week. Besides plugging the source for a share of American supplies of pulp, newsprint, ferro-alloys, and lesser known exports such as whale oil, the fight for Scandinavia has cut off an export market for automobiles that amounted to \$20,000,000 in 1939, according to Ward's Automotive Reports.

Norwegian whaling for the 1940 season had been completed just before the invasion. About 200,000 tons of whale oil, a record catch, were reported still in Norwegian possession this week. Meanwhile, the Japanese provided competition in Antarctic whaling grounds, brought back 132,000 tons of oil, worth around \$24,000,000.

A tightening of shipping space as a result of the temporary loss at least of Scandinavian tonnage was felt on the Pacific Coast as well as in the East. A survey by the San Francisco News indicated that more than 40% of the tonnage calling at California ports was Scandinavian and now tied up.

#### War Toll of Merchant Ships

	Total Through This Week (230 Days)		Total Four Weeks Ago (202 Days)	
	No.	Tonnage	No.	Tonnage
British	194	732,617	189	715,379
French	20	81,550	20	81,550
Neutral	205	564,782	186	517,285
Total	419	1,378,949	395	1,314,285
German	50	246,974	36	186,484
Grand Total	469	1,625,923	431	1,500,669

#### Trade Conditions

FOR THE FIRST TIME in its history, Credit Suisse, oldest of the Swiss banks, will have a branch outside of Switzerland. Application to establish an agency in New York City has been made to the State Banking Department.

Thailand (Siam) has ordered 500 freight cars from the Magor Car Co.

### —And Abroad

#### Great Britain

ON APRIL 15 the import of copper, lead, zinc, and certain other non-ferrous metals into England will be licensed. Also to be licensed are patent medicine imports.

#### Argentina

WHILE THE ARGENTINE'S LENIENT income tax of 1931 has made a business firm's paradise of the country for nine years, a budget-deficit serpent has entered the picture this year. To meet the deficit, the government proposes to stiffen the tax by a plan not yet officially made public. The new plan includes a capital tax feature which would especially hit wealthy American companies. Betting against passage of the new levy—at least not without considerable modifications—are those who remember Argentina's hunger for new investments.

# THE TRADING POST

## More Overseas Letters

LAST WEEK, I devoted this space to some excerpts from the personal letters of John Chapman, Foreign Editor of BUSINESS WEEK, who has been in Europe since late February surveying at first-hand the trends of the economic war and appraising their significance to American business. Last week's letters touched on the trip to Rome: the following excerpts are from letters from Romania.

From Bucharest: "All here agree that the end of the Finnish war on Moscow's terms is quite a blow to London and Paris . . .

"Rumania is amazingly calm. I arrived last night on the plane from Budapest. We made the trip in a single, four-hour hop, in a Hungarian plane. There was one Italian and myself; the rest—and the plane was full—were German business men, all of them so familiar with the place that they were greeted at the airport by hosts of friends.

"The Athénée Palace (hotel) is an amazing place. Before I had reached my room, a man was at my elbow offering to buy dollars at a bootleg rate double the 'official' quotation on the lei.

"Went down to the bar at 8:30 for a quick one and ran into a Babel of conversation—every language I have ever heard and some that I hadn't. The hotel is packed. Loads of luggage arrive and depart almost every hour. The streets are seething with people, but there are more peasant women selling early violets than there are armed soldiers.

"From a morning of quite important interviews I find that Rumania is less alarmed than I think it has reason to be. The end of the Finnish war may throw Russian pressure in this direction again, but the people don't expect it—yet.

"I learn that most of the correspondents have left for Syria or Rome because they expect little to develop there now, though a week or two may change the picture. But I am convinced that I should stay here in Bucharest until I can get hold of the undercurrents of economic battle, which means so much to us, but little to the general press.

"You will surmise from my guarded cables that the little countries in this part of the world are being very cautious about the feelings of their big neighbors—even Italy. But economic conditions in Italy are fundamentally bad and Mussolini no longer has the aggressive hold on Italy that he once did. The country is slowing down with him, relaxing and saying, 'What's the use?' Our friends believe that Rome has little bargaining power left; it moves at the command of either of the belligerents.

"Budapest is quiet and apparently con-

fident that it can continue to play one side against the other and handle both. Actually, Hungary has handled its foreign affairs with skill. It is pro-German but not pro-Nazi. If the Nazi régime should go under, Hungary would be ready to step in and do a good business with a more peaceable Germany.

"Expect to fly to Berlin Saturday and to utilize the Easter weekend in my visit to Moscow. There I should be able to get an 'after war' checkup from the Red angle, and the interviews I have lined up guarantee a productive visit."

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Bucharest—three days later: "Have been trying for three days to book out of here by plane for Berlin today. By noon yesterday—even with the special cooperation of the Foreign Office—it looked as though I couldn't get away until Monday. Even then the reservation wasn't actually booked, so I was considering taking the train at least as far as Vienna, though everyone urged me not to attempt it. Sleepers are available as far as Budapest but no country lets its rolling stock go into a warring country, so from Budapest to Vienna I should be relegated to a third-class coach.

"At 10:00 this morning, the Foreign Office called to say a special plane was due from Berlin at 11:30 and would go back at 12:30; and that if I would go to the airport I might get a passage.

"What a scramble! I had to get more cash, check out at the hotel, pack and leave within an hour. The Foreign Office insisted on sending a special German-speaking courier with me to facilitate bargaining at the airport. We arrived at 12:00—and the 'special' had come and gone!

"Now I have just confirmed a booking all the way to Berlin on Monday. Such delays are just one little problem of the hundreds that bob up these days. After trying all day Wednesday to get off a cable, I learned yesterday the censor had refused it. Though the cable was entirely about Italy, this country feels obliged to prevent any possible rupture in its relations with Rome. So that item will have to keep.

"Had two wild nights with the foreign press crowd here after the windup in Finland. We were all watching every bulletin; rumors were a dime a dozen; nerves are tightening now on the fear that Russia will turn in this direction . . . the Carol denial of a non-aggression pact with Russia with all the conditions demanded has unsettled markets . . .

"People here have been most helpful. I think Bucharest far more attractive than I had anticipated. But I must be on my way again."

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# BUSINESS WEEK

*With Which Is Combined The Magazine of Business*

April 20, 1940

## The Sword Is Mightier Than the Pound

FOR SEVERAL WEEKS, the pound sterling has been having the jumps in the foreign exchange market. There were some signs of settling down; then the Germans pushed into Scandinavia and the gyrations started anew. To most persons, these fluctuations are no more than casual war phenomena—to be expected. But to American importers and exporters they are a real annoyance, since they increase the hazards of trading with the British.

England now has gone on a two-price system. Though the British would be loath to admit the similarity to the German system, they have all the rules and regulations necessary to retard or accelerate the flow of goods into and out of Britain. The British equivalent of aski marks is "free pounds," which is simply the British way of saying "pounds at a discount" from the official rate of \$4.03.

These "free pounds" are bought and sold in a so-called "free market" with the full knowledge of the British government. That is something new in currency technique. During and after the World War, the sale of currencies at a discount from official rates was illegal, and took place only on the under-cover "black bourses." But governments have discovered that the best of regulated currencies now have their leaks—so black bourses have been legalized.

THE BRITISH have carried off this legalized leakage in the grand manner. The "free market" smacks of the Adam Smith and Ricardian *laissez faire* tradition. Actually, however, as any American exporter will tell you, the British market is anything but free. Goods entering England must be on the acceptable list, and the government designates payment either (1) in official pounds, in which case the pounds are equivalent to dollars, or (2) in unofficial pounds, in which case the American exporter must get permission to convert the payment into free sterling balances. Whatever the method, he faces red tape, loss of time, and possible loss of money.

On their so-called monopoly products—tin, rubber, jute, Scotch whiskey, and furs—the British demand payment in full-priced, official, \$4.03 pounds. And since these products constitute a large part of British exports, the use of free pounds to buy British goods is sharply attenuated. Free pounds, however, can be used for the purchase of cotton manufactures, shellac, and other products that the British export—but there is no way of knowing from one day to the next which articles will and which articles will not be on the

official pound list. As a consequence, trading with Great Britain is subject to change on short notice.

The free pound can be an advantage to the British in competition with American exporters in South American and other world markets. When the free pound depreciates, British goods automatically become cheaper. However, this competition is limited because (1) the supply of free pounds is undependable and (2) British manufacturers are probably pretty well tied up by war and domestic demands.

SUGGESTIONS HAVE been made that the British two-pound policy was deliberately adopted to obtain advantages in foreign trade. But that implies a studied shrewdness incompatible with most wartime decisions. More likely the program was chosen as a necessary evil—an urgent means of enabling the British to conserve their foreign resources and to squeeze the last dollar out of their monopoly exports.

The British, however, do not accept the policy in quite that candid, materialistic light. Even so sound a journal as the London *Economist* seems to do a bit of romanticising in arguing that the free market for sterling will "redound to the credit of London when such conceptions begin to count again"—meaning that after the war the pound may recover prestige.

As a matter of realism, the free market for the pound may be all but forgotten when peace comes; and the *laissez faire* virtue that the British now find in a free market may also be forgotten. For the pound is no longer the British stock-in-trade. It's gold that counts; gold, foreign securities and goods and services that Britain can muster to buy war supplies. As the London *Economist* itself remarks: "Wars are fought, not with money, but with people and things." The British Treasury's acquisition this week of British-owned American securities proves the point. The securities will be exchanged for things—planes, steel, food.

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